COMMERCIAL MARKET ANALYSIS

Advance Notice of Proposed Rulemaking: Prediction Markets

RIN 3038-AF65

SUBJECT	Commercial Evidence of Market Displacement, Predatory Practices, Structural Bookmaking and Deliberate Product Convergence — CFTC ANPRM on Prediction Markets (RIN 3038-AF65)
DATE	April 30th, 2026
EXHIBIT	Exhibit A: Handle Displacement Analysis Exhibit B: Predatory Marketing and Consumer Harm: Documented Commercial Practices of Prediction Market Platforms Exhibit C: Account Integration & Consumer Protection
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These are observations grounded in over 20 years of direct experience in licensed gaming markets across commercial, tribal and international jurisdictions, together with prior professional experience that includes 10 years in the financial sector including Investment Banking and Venture Capital. The author currently holds active gaming licenses or registrations in New Jersey (ASCIE), Arizona, Wisconsin, the Potawatomi Nation, the Tohono O'odham Nation, the Choctaw Nation, the Shakopee Mdewakanton Sioux Community, and the Seneca Nation.

SCOPE AND PURPOSE OF THIS SUBMISSION

The observations in this submission are strictly commercial in nature and do not present legal arguments or legal analysis. They are offered as independent commercial analysis for the Commission's record.

This submission addresses four commercial questions that the Commission's ANPRM does not adequately examine

1. **Market Displacement:** Whether available handle and volume data indicate that sports prediction market contracts are functioning as substitutes for licensed sportsbook products.
2. **Consumer Acquisition Practices:** Whether current marketing methods, demographic targeting, and age-access differences create commercial advantages unavailable to licensed operators and raise consumer-protection concerns.
3. **Operational Market Structure:** Whether the architecture of these platforms operates in practice as a neutral exchange model, a bookmaking model, or a hybrid structure with characteristics of both.

4. **Deliberate Product Convergence:** Whether the platforms' own product evolution—including point spreads, totals, parlays, sportsbook-style interfaces, and traditional odds displays—is consistent with the claim that these products are meaningfully distinct from sports wagering.

A common theme links these issues: licensed gaming regulation is generally proactive, imposing licensing conditions, consumer safeguards, tax obligations, and operating controls before market entry. The current federal framework applied to sports prediction markets has operated more reactively, permitting rapid product expansion first and addressing commercial consequences later. The evidence that follows evaluates the market effects of that distinction.

INDEX: ANPRM QUESTIONS ADDRESSED IN THIS SUBMISSION

ANPRM QUESTION	TOPIC	SECTION WHERE ADDRESSED
Question 2 (c)	Susceptibility to manipulation (Core Principle 3)	Section III.D; Finding 4
Question 2 (d)	Market surveillance and enforcement capacity (Core Principle 4)	Finding 6
Question 4	Institutional vs. retail trading on prediction markets	Section III.C; Finding 4
Question 8	Public interest under CEA Section 3(a)	Section I; Section V (Conclusion)
Question 10	Price risk, price discovery, hedging	Section I; Section III
Question 11	Prevention of price manipulation; protection from abusive sales practices	Section II; Finding 3; Finding 6
Question 16	Activity unlawful under State law	Section II.E
Question 19	Gaming — scope and public interest implications	Sections II, III; Findings 1, 4, 7
Question 19 (c)	Manipulation, sales practices, fair competition in gaming-related contracts	Section III; Finding 4; Finding 7
Question 19 (d)	Characteristics of market participants (younger demographic)	Section II.A; Finding 2
Question 19 (e)	Responsible gaming standards	Section II.E; Exhibit C
Question 29-31	Inside information and manipulative or deceptive devices	Section II.F; Finding 6
Question 33	Whether event contracts should be classified as swaps	Section III; Finding 7

I. EVIDENCE OF MARKET DISPLACEMENT: THE DATA

The most important commercial fact in this proceeding is one the Commission has not directly addressed: U.S. regulated sportsbetting handle is now experiencing its first sustained year-over-year decline in the post-PASPA era.

Prior negative YoY results were limited to two identifiable external distortions — (1) the four-month Covid-related sports closure from March through June 2020, and (2) a one-month decline in February 2023 caused by inflated comparisons to New York's January 2022 mobile launch and the unusually aggressive promotional environment that followed. These two windows are referenced throughout this submission as the "Exception Periods" and addressed in detail in Exhibit A — Methodology.

By contrast, the current decline is neither isolated nor technical. It began in December 2025, has continued for four consecutive months through March 2026, and preliminary April reporting from three Cohort States with weekly disclosure (New York, Montana, and West Virginia) indicates, on a like-for-like three-week basis, that the pattern is extending into a fifth consecutive month of decline.

The reversal indicates a clear deterioration of market demand. It has occurred during the strongest portion of the annual sports calendar including the College Football postseason, NFL playoffs, Super Bowl, and March Madness, and ongoing NBA and NHL season. During the same period, sports prediction volume expanded rapidly and reached material scale.

The timing of these two trends is commercially significant: regulated sportsbook handle turned negative only after prediction market products reached material scale and parlay-style offerings gained traction.

Prior to December 2025, the normalized post-PASPA market had produced sustained positive YoY growth. November 2025 still recorded +9.4% growth following +14.6% in October. The market then swung to -1.7% in December and -3.8% in January, an 18.4-point reversal in only three months.

The evidence supports consumer substitution: a portion of wagering demand that previously flowed through licensed sportsbooks is now being directed to prediction market platforms offering functionally similar products under a different regulatory structure. That conclusion is reinforced by continued declines in February and March 2026, which were measured against cleaner prior-year comparison periods with normal hold conditions.

All handle data in this section is drawn from iGaming Capital LLC's compilation of monthly state gaming regulatory reports, updated April 2026. See Exhibit A. The following presents the key findings.

A NOTE ON TERMINOLOGY: HANDLE vs. PREDICTION MARKET VOLUME	
Sportsbetting Handle	**Prediction Market Volume**
The total dollar amount wagered through licensed sportsbook operators — the standard regulatory reporting metric required by state gaming regulators across all U.S. jurisdictions. A $100 wager contributes $100 to handle, regardless of outcome. Handle is reported monthly by state gaming agencies, audited, publicly filed, and consistent in methodology.	The total notional value of contracts bought and sold on prediction market platforms during a given period. Unlike sportsbetting handle — which captures only the amount wagered by the bettor — prediction market volume reflects both sides of each matched transaction, as both the buyer and seller contribute to the reported notional figure. This means the absolute figures are not directly comparable and should not be interpreted as dollar-for-dollar displacement. The displacement argument in this submission does not rest on absolute equivalence. It rests on the directional relationship:

	regulated sportsbetting handle declining in the same period that sports prediction market volume is rising sharply. The correlated inversion — not the absolute magnitude — is the empirical signature of consumer substitution.

A. Cohort Definition and Normalized Baseline Framework

The analysis uses Cohort States, consisting of all U.S. jurisdictions with active retail and/or mobile sports betting during the measurement period. Two jurisdictions are excluded: (1) Nebraska, which does not publish handle data, making any implied handle estimate methodologically speculative—particularly because Nebraska reported negative sports betting GGR in December 2024, preventing a reliable derivation of handle; and (2) Missouri, which commenced sports betting operations in December 2025 and therefore has no comparable prior-year period within the analytical timeframe (the "Cohort").

The Cohort data spans the post-PASPA era (Professional and Amateur Sports Protection Act, repealed by the U.S. Supreme Court in May 2018) and is set forth in Exhibit A. The two Exception Periods identified at the outset of Section I are excluded from the Normalized Baseline used throughout this submission. Both are detailed in Exhibit A — Methodology.

Through November 2025, the Normalized Baseline period reflected consistent positive year-over-year growth, with only one isolated exception: a temporary slowdown in early 2023, including a -1.5% result in February 2023. That anomaly was a comparison distortion rather than evidence of weakening underlying demand, driven primarily by inflated comparisons to New York's January 2022 mobile sports betting launch, which produced unusually elevated handle and extraordinary promotional activity during the prior-year period.

By contrast, the reversal beginning in December 2025 reflects a structural contraction in mature market demand that coincided directly with the rapid scaling of sports prediction market volume.

B. The Handle Reversal: First Sustained YoY Decline in the Post-PASPA Era

The following table shows the sustained reversal in full. Months marked with ⚡ indicate periods in which Cohort State year-over-year handle growth turned negative, representing the first sustained multi-month downturn post PASPA outside the Excluded Periods.

Month	Handle ($B) [1]	SAME STATE YoY % Δ [2] [3]	MATURE SAME STATE YoY % Δ [3] [4]	Sportsbetting Hold [5]	Sports Prediction Volume ($B) [6]
Nov 2024	$16.3	+7.6%	+7.0%	10.3%	—
Aug 2025	$11.3	+25.1%	+25.0%	10.5%	—
Sep 2025	$15.5	+10.5%	+9.6%	8.3%	$2.6
Oct 2025	$17.4	+14.6%	+13.3%	9.2%	$4.0

Month	Handle ($B) [1]	SAME STATE YoY % Δ [2] [3]	MATURE SAME STATE YoY % Δ [3] [4]	Sportsbetting Hold [5]	Sports Prediction Volume ($B) [6]
Nov 2025	$17.8	+9.4%	+8.3%	11.1%	$5.3
Dec 2025	$15.5	-1.7%	-2.6%	12.0%	$6.1
Jan 2026	$15.2	-3.8%	-5.1%	10.5%	$8.8
Feb 2026	$12.3	-1.7%	-2.5%	9.6%	$8.9
Mar 2026		-3.7%	-3.6%	8.6%	$11.9
Apr 2026 [3]		-1.1%	-1.1%	11.2%	$13.6

1) Cohort States include all active U.S. sportsbetting jurisdictions except Nebraska (no published handle data) and Missouri (launched December 2025; no prior-year comparable). Full methodology appears in Exhibit A.

(2) Same-State Growth Rate for March 2026 reflects Cohort States reporting March figures as of the close of the comment period. See Exhibit A for reporting-state list.

(3) April 2026 figures compare each reporting state's first three reporting weeks of April 2026 to the corresponding three reporting weeks of April 2025 on the same settled-wagers basis. Weekly reporting states: New York, Montana, and West Virginia. Reporting in these three states was incomplete as of the close of the comment period; the three-week comparison preserves a like-for-like basis across all three

(4) Mature Same-State Cohort includes only jurisdictions with at least twelve months of operations before January 2024.

(5) Hold rates are shown to contextualize months with unusually low prior-year baselines. See Hold Rate Methodology Note.

(6) Prediction market volume includes Kalshi sports contracts, Kalshi Exotics (RFQ combination contracts), and Polymarket U.S. sports contracts. Source: Ticker-Tracker. Figures are conservative and exclude estimated U.S. activity on offshore/global platforms accessed via VPN. April volume through April 30th, 2026, 9:00 a.m. ET.

Four consecutive months of year-over-year decline span the strongest portion of the U.S. sports calendar — College Football postseason, NFL playoffs, Super Bowl, March Madness, and ongoing NBA and NHL seasons. The February and March 2026 declines (-1.7% and -3.7%) are the most analytically robust observations in the series: each was measured against a prior-year period with normal hold conditions, during peak wagering season, and after the Rule 5.3 amendment described in Section III.D had been in effect for two and three months respectively. April 2026 weekly reporting from three Cohort States with weekly disclosure (New York, Montana, West Virginia) shows aggregate handle down approximately -1.1% year-over-year, extending the pattern into a fifth consecutive month.

The reversal first appeared in December 2025, the same month Kalshi Rule 5.3 took effect. December functions as the inflection point of the trend — the moment Same-State Growth Rate moved from sustained positive growth to its first sustained post-PASPA decline outside the Exception Periods. The Hold Rate Methodology Note below addresses why the December comparison should be read as marking the inflection rather than as the strongest single point of evidence.

April 2026: Continued Decline (Three States Weekly Reporting)

Three Cohort States — New York, Montana, and West Virginia — publish weekly handle data with reporting weeks ending Saturday or Sunday. By the close of this comment period, the three states had published their first three weekly reports of April 2026. Together these three states represent approximately 7.1% of Cohort State handle.

Aggregate April 2026 handle across the three states for the first three reporting weeks of April 2026

STATE	FIRST 3 WEEKS APRIL 2025 YoY % Δ	FIRST 3 WEEKS APRIL 2026 YoY % Δ	YEAR-OVER-YEAR SWING
Montana	+11.5%	-14.5%	-26.0 points
West Virginia	+11.0%	-16.2%	-27.2 points
New York	+6.3%	-0.8%	-7.1 points
Three-State Aggregate	+6.4%	**-1.1%**	-7.5 points

NOTE: Aggregate figures are volume-weighted across the three states; per-state percentages are individual-state YoY comparisons.

All three states reported negative year-over-year handle. The aggregate decline extends the pattern of year-over-year handle reversal into a fifth consecutive month.

HOLD RATE METHODOLOGY NOTE

Year-over-year handle comparisons are sensitive to prior-year hold conditions. When a prior-year period included unusually low hold or aggressive free-bet promotion — both of which inflate handle through recycled wager credits — the prior-year baseline is artificially elevated, producing a steeper apparent decline in the comparison year that reflects measurement effect rather than underlying demand. This dynamic explains the Feb 2023 result discussed in Section I.A. It also applies, in attenuated form, to December 2025: October 2024 (7.1%) and December 2024 (6.1%) were the two lowest national hold months in the post-PASPA dataset, modestly elevating their prior-year handle base. December 2025 therefore marks the moment the trend turned, but a portion of its decline magnitude reflects this baseline effect. The February and March 2026 declines were measured against prior-year periods with normal hold conditions, during peak wagering season, and after the Rule 5.3 amendment described in Section III.D had been in effect — making them the cleanest signals of the structural trend documented in this section.

C. The Volume Correlation and Consumer Substitutional Signal

The available data reflects a commercially significant correlation between the rapid expansion of sports prediction markets and the first sustained downturn in regulated U.S. sportsbetting handle in the measured post-PASPA market outside the Exception Periods. The Commission's ANPRM does not meaningfully address potential commercial displacement. This submission provides relevant commercial evidence for the record. Detailed supporting data appears in Exhibit A.

Inflection Point: Prediction Market Volume Surge Coincides with U.S. Sportsbetting Handle Reversal

All comparisons to historical performance exclude the Exception Periods defined in Section I and Exhibit A.

September–October 2025

U.S. sportsbetting handle remained strong (+10.5% in September; +14.6% in October) even as sports prediction market volume accelerated from $2.6B to $4.0B. Kalshi's sports prediction Exotics (RFQ parlays), launched September 29, remained immaterial at 2.0% of prediction volume in October.

November 2025
Prediction market volume rose to $5.3B while sportsbetting growth slowed to +9.4%. Kalshi Exotics reached 4.4% share. This was the first clear deceleration in sportsbook growth as parlay-style prediction products gained traction.

December 2025
Prediction market volume increased to $6.1B, with Exotics rising to 10.5% share. Sportsbetting handle turned negative (-1.7%) for the first time outside the Exception Periods.

January 2026
Prediction market volume climbed to $8.8B, with Exotics at 14.1%. Sportsbetting handle declined -3.8%, marking the first consecutive YoY declines in the post-PASPA era outside the Exception Periods.

February–March 2026
Prediction market volume held at $8.9B in February, then surged to $11.9B in March as Exotics expanded to 18.5%. Sportsbetting handle remained negative (-1.7% and -3.7%), extending the downturn through peak wagering season.

April 2026 (Preliminary)
Prediction market volume reached a new high of approximately $13.6B, with Exotics at approximately 24%. Weekly reporting from three states indicates sportsbetting handle remained negative (-1.1%), implying a fifth consecutive month of decline.

COMMERCIAL IMPLICATION
Prediction market growth initially coincided with continued sportsbook growth. Handle weakness emerged only after sportsbook-style parlay products reached material scale. Since then, regulated handle has declined while prediction market volume continued making new highs.

The timing of that expansion is commercially significant. U.S. sportsbetting handle remained positive in September and October 2025 (+10.5% and +14.6%, respectively) even as prediction market volume initially increased. Weakness first emerged in November 2025, when sportsbook growth slowed to +9.4% as parlay-style prediction products began gaining traction. In December 2025, sportsbook handle turned negative for the first time outside the Normalized Baseline and remained negative through April 2026.

This sequence suggests a threshold effect rather than random coincidence. Prediction markets did not appear to affect sportsbook demand while they remained relatively small. The reversal began only after these products reached material scale, broader consumer visibility, and greater product similarity to licensed sportsbooks.

The composition of that growth is also relevant. Kalshi Exotics (RFQ parlay and combination contracts) grew from immaterial levels at launch in late September 2025 to approximately 10.5% of sports prediction volume in December 2025, 14.1% in January 2026, 18.5% in March 2026, and approximately 23.7% in preliminary April 2026 reporting. The fastest-growing segment of prediction market activity therefore mirrors the highest-engagement product category in licensed sportsbooks.

This submission does not assert dollar-for-dollar equivalence between sportsbook handle and prediction market volume. The relevant commercial signal is directional: regulated sportsbook handle declined during the same period that sports prediction market activity accelerated sharply. That inverse relationship is consistent with consumer substitution.

A separate commercial indicator reinforces this conclusion. Kalshi reported $264 million in fee revenue for 2025, with 89% derived from sports contracts. That fee income represents monetization of sports trading activity that previously did not exist at comparable scale and provides an independent measure of commercial displacement apart from handle reporting methodology.

The combined pattern is straightforward: prediction market volume expanded, sportsbook growth decelerated, then sportsbook handle turned negative and remained negative as prediction market activity continued to reach new highs. Detailed monthly figures appear in Exhibit A.

D. The Parlay Substitution Mechanism

Within the prediction-market data, the clearest substitution mechanism is parlay and combination-style contracts. The Exotics (RFQ parlays) volume on Kalshi grew from less than 0.1% of total sports prediction volume at launch to 10.5% in December 2025, 14.1% in January 2026, 18.5% in March 2026, and approximately 23.7% in April 2026 (through April 30th), according to data compiled from Ticker-Tracker. Sports prediction market volume across Kalshi and Polymarket reached $13.6B in April 2026, up from $11.9B in March. [1]

Over the same period, the discrete event catalog expanded from 82,853 contracts in October 2025 to 363,087 in November, then normalized to roughly 185,000 – 200,000 from January onward. Yet despite the catalog contracting by roughly half, parlay share continued rising. That pattern suggests a shift in consumer preference and repeat engagement rather than mere menu expansion. The sportsbook handle declines documented throughout this submission — particularly from January through March 2026, during peak sports season — coincided with parlay volume reaching material scale on the prediction-market side. Two independent datasets therefore moved in opposite directions during the same months: licensed sportsbook handle fell while prediction market parlay participation rose, strongly supporting direct substitution.

COMMERCIAL OBSERVATION

In over 20 years as a senior iGaming executive and leading industry consultant, I have not observed a demand-side reversal of this speed and precision in a mature market. The correlation between prediction market volume growth and handle decline is not coincidental — the timing, the threshold effect, the parlay substitution pattern, and the sustained multi-month nature of the decline are consistent with one explanation: consumers are substituting. They are placing the same bet through a different channel.

[1] NOTE: Parlay/Exotics volume figures reflect Ticker-Tracker's classification of multi-leg combination contracts. Through early 2026, Kalshi's combo product was scoped primarily to professional football, professional basketball, and 'Mention' (in-game broadcast prop) markets, with limited non-sports application. Non-sports combos are estimated at less than 5% of total Exotics volume during the measurement period. April 2026 figures up to April 30th at 9 am.

II. PREDATORY COMMERCIAL PRACTICES AND REGULATORY ASYMMETRY

The commercial issues raised by sports prediction markets extend beyond displacement of licensed sportsbook handle. They also concern the methods by which these platforms acquire customers, the demographics they are able to reach, and the materially different consumer-protection standards under which they operate.

Licensed sportsbooks enter the market only after satisfying state licensing requirements that typically include minimum-age restrictions, responsible-gaming obligations, advertising controls, identity verification standards, self-exclusion protocols, and ongoing regulatory oversight. Those obligations are not incidental costs; they reflect policy judgments made independently by dozens of state legislatures, regulators, and tribal authorities regarding the risks associated with sports wagering.

Sports prediction market platforms have been able to compete for substantially the same consumer demand while operating outside many of those constraints. The resulting advantage is commercial as well as regulatory: access to younger age cohorts unavailable to licensed operators, broader latitude in customer-acquisition methods, and reduced friction in product onboarding and promotion.

This section addresses three interrelated issues:

1. **Age-Based Market Access**: the ability to reach an 18-to-20-year-old demographic that licensed sportsbooks are prohibited from serving in most jurisdictions.
2. **Consumer Acquisition Practices**: the use of influencer marketing, investment-style framing, and social-media channels that would face heightened scrutiny in licensed gaming markets.
3. **Documented Consumer** Outcomes: evidence that retail participation in these markets is concentrated among losing users while gains accrue disproportionately to sophisticated liquidity providers.

The common commercial theme is straightforward: prediction market platforms are competing in the sports wagering space while avoiding many of the customer-protection obligations imposed on licensed competitors. That asymmetry has direct market consequences and warrants consideration in any regulatory framework.

A. The 18-to-20-Year-Old Demographic: A Structural Commercial Exploit

Licensed mobile sportsbooks are required by state gaming law to restrict access to users aged 21 and older in the substantial majority of states where mobile sports wagering is legal. This is not a business choice; it is a binding regulatory obligation, enforced as a condition of licensure. Sports prediction market platforms operating under CFTC registration face no equivalent requirement and permit users aged 18 and older.

The 21+ minimum reflects a deliberate legislative judgment—made independently by state after state as well as in tribal compacts — that the consumer harm risks of sports wagering warrant restricting access to adults over 21. The Commission approved sports event contracts for an 18+ platform without any

publicly documented assessment of the public health consequences of operating outside that standard. It had the authority to impose consumer protection conditions. It imposed none.

The consequences are already being documented. In December 2025, Josh Ercole, Executive Director of the Council on Compulsive Gambling of Pennsylvania, testified before the Pennsylvania House Gaming Oversight Committee that November 2025 was the first month in which the highest-volume caller demographic to the 1-800-GAMBLER helpline was ages 18 to 24. Previously the segment that accounted for the largest number of calls was ages 30 to 40. He directly attributed the spike to prediction markets, stating they "expose a highly vulnerable demographic to an activity that has inherent risks associated with it." Pennsylvania's total helpline calls through November 2025 exceeded 2,700 — more than double the 2020 total and an all-time record [See Exhibit B].

The 1-800-GAMBLER caller cohort (ages 18–24) is broader than the access cohort (ages 18–20) discussed above and includes individuals who can legally access licensed sportsbooks. As a result, the shift in the helpline's highest-volume caller segment should be viewed as a directional indicator rather than a definitive test of access-based displacement. That said, the timing of the shift — emerging in November 2025 as prediction market sports volume increased from $4.0B to $5.3B — together with the witness's direct attribution to prediction markets, is commercially significant.

Independent national polling indicates these concerns are not isolated. A March 2026 Morning Consult survey found that 81% of respondents characterized sports event contracts as gambling, 81% believed they should be regulated and taxed at the state level, and 77% were concerned that allowing 18-year-old access would increase problem gambling risk within that demographic.

The Commission nevertheless approved sports event contracts for an 18+ platform. State legislatures that have independently addressed sports wagering access have overwhelmingly adopted a 21+ minimum. Public opinion, state policy judgments, and industry problem-gambling data all point in the same direction.

Licensed operators bear the full cost of the consumer-protection framework that accompanies those restrictions, including gaming taxes, licensing and application fees, regulatory assessments, responsible-gaming funding obligations, and substantial penalties for non-compliance. Those payments help finance treatment programs, enforcement, and protections for vulnerable consumers.

Prediction market platforms may access the same younger demographic from which licensed operators are commercially barred while bearing none of the comparable gaming taxes, licensing costs, or responsible-gaming obligations imposed on licensed sportsbooks.

The consumer protection philosophy underlying this asymmetry was articulated publicly by Josh Sterling, Kalshi's outside counsel and a potential candidate for CFTC Chair, at the NCLGS Summer Meeting in July 2025: "People are adults, and they're allowed to spend their money however they want. And if they lose their shirt, that's on them. I mean, that would be obvious, right?" [Source 11]

This was not a casual consumer remark. It was a policy statement delivered at a gaming regulators conference by counsel for the industry's largest platform. It reflects a materially different view of consumer responsibility than the one embedded in licensed gaming regulation, where age restrictions,

responsible-gaming mandates, advertising controls, and intervention mechanisms are imposed precisely because consumer harm is recognized as foreseeable.

The competitive asymmetry is therefore not merely a function of product differentiation. It is also the result of one channel operating outside the regulatory framework that governs substantially similar wagering activity.

B. Influencer-Driven Marketing to Vulnerable Demographics

The sports prediction market industry has developed an active influencer marketing ecosystem concentrated on social media platforms such as TikTok, Instagram, YouTube, Twitch, and X. The documented examples in Exhibit B reflect customer-acquisition methods that would likely face substantial scrutiny in licensed sports wagering markets.

Investment framing

Influencers have promoted sports event contracts as investment opportunities rather than wagers. Documented examples include encouraging young users to "invest" during a lunch break, describing participation as a "money hack," or presenting sports outcomes as a side-hustle income opportunity. This positions sports prediction contracts as a low-risk financial activity and likely appealing to young consumers who might not identify themselves as sports bettor.

Micro-amount targeting

Promotions frequently emphasize small-dollar wins or low-dollar starting amounts, reducing perceived risk and lowering participation barriers for students and younger consumers with limited disposable income. Examples detailed in Exhibit B include statements such as, "explaining to my co-worker that I made $28 predicting it would snow," and "I literally made $761 and 7 cents last night doing literally nothing."

Campus and underage outreach

Kalshi operated a formal student ambassador program targeting students at Yale, Harvard, Berkeley, Penn, Cornell, UVA, Michigan, Texas, Stanford, and NYU, stating that "college campuses are the best place to spark new financial movements." The program was later removed following public backlash.

Kalshi also initiated a paid creator partnership with a 15-year-old video game streamer known online as "vert1d." Public reporting indicates the arrangement was terminated approximately one week later after legal concerns were raised. According to reporting reviewed by *The Wall Street Journal*, Polymarket had also expressed interest in recruiting the same minor to promote its platform.

In a separate instance, a 19-year-old college student sponsored by Kalshi produced an undisclosed TikTok that reportedly accumulated more than 50 million views. The student stated he had been instructed by a Kalshi supervisor to target college students because they "spend money recklessly." Kalshi has disputed that characterization.

Taken together, these examples reflect customer-acquisition efforts concentrated on campus-age consumers and younger social-media audiences. See Exhibit B for additional details.

Platform amplification

Kalshi has built a formal creator partnership infrastructure — documented in its own LinkedIn job postings —tasked with activating influencers across TikTok, Instagram, YouTube, and Twitch to scale customer acquisition among younger digital audiences. This was layered on top of publicly reported incentive-based marketing programs (affiliates) on X that were later removed following platform-policy enforcement.

The marketing activity documented in Exhibit B was not isolated or accidental. It reflected an organized customer acquisition strategy supported by formal hiring, creator management, and affiliate distribution channels.

Kalshi's own materials reportedly instructed creators to ensure content "feels native to each platform," an industry term commonly used to describe advertising designed to blend into surrounding organic content. At the same time, the examples documented in Exhibit B include campus targeting, fraternity-party sponsorships tied to signups, and youthful creator outreach.

Taken together, the pattern is more consistent with deliberate growth strategy than isolated compliance lapses. See Exhibit B for additional details.

Absence of responsible gaming messaging

Licensed sportsbook advertising in virtually every jurisdiction must include responsible gaming disclosures, problem gambling helpline references, and age-gating. The influencer content promoting sports prediction markets documented in Exhibit B contains none of these elements. A consumer viewing this content may have no clear indication that what is being promoted is functionally a sports wager.

Cait Huble, Director of Public Affairs at the National Council on Problem Gambling, reviewed Kalshi's TikTok advertisements and stated: "If this was a regulated gambling operator, this would never pass a regulator's test. The way they are positioning the expectation that you're going to win, that there's no clear explanation of the odds — this is functionally gambling."

Following publication of a March 2026 investigation documenting these advertisements, Kalshi confirmed it had terminated relationships with the influencers featured.

Based on direct experience with advertising compliance requirements in licensed sports wagering markets, the content documented in Exhibit B would likely not pass regulatory review in jurisdictions where licensed operators are subject to advertising standards. It is inconsistent with responsible-gaming advertising principles and disclosure standards commonly imposed on licensed operators.

The commercial result is that prediction market operators are able to reach a highly valuable acquisition demographic—young adults with limited financial experience—through marketing channels and messaging that licensed sportsbooks would face significant restrictions in using. See Exhibit B. or additional detail.

DIRECT COMMERCIAL COMPARISON

A licensed sportsbook running an influencer campaign targeting 19-year-old consumers with messaging such as "invest your lunch break" would likely face immediate regulatory scrutiny, potential fines, and possible license consequences in many U.S. jurisdictions. Sports prediction market platforms have used materially similar campaigns at scale with no comparable gaming-regulatory response.

That asymmetry is a commercial fact, not a legal argument. What the Commission chooses to do about it is a separate question.

C. Documented Retail Losses on Prediction Markets

The commercial practices described in the preceding sections have been associated with measurable consumer harm. That harm is now empirically quantifiable.

In March 2026, an academic study was published by researchers at ESSEC Business School, HEC Montréal, and the University of Toronto. It analyzed the complete transaction history of Polymarket from November 2022 through October 2025 — 1.4 million users, 70 million trades, more than $20 billion in volume [Source 19, Source 20]. The study found that 70.8% of users lost money, while the top 1% of users capture 84.1% of all trading gains. The top 0.1% capture 58.5%.

The researchers concluded that many users were effectively trading against prices they could not profit from. Winners were systematically better at identifying underpriced contracts than losers. The strongest predictor of avoiding losses was operating as a liquidity provider (market maker) rather than a liquidity taker (retail user), representing a 36-percentage-point swing in loss probability—more than ten times the effect of any other behavioral variable examined in the study—and indicating a structural advantage for sophisticated market makers over ordinary retail users. The authors further concluded that Polymarket users were "trading against efficient prices they cannot profit from," producing "a steady transfer of money from a large group of unsophisticated traders to a tiny group of sophisticated ones."

A separate working paper analyzing 72 million trades on Kalshi identified a similar maker-taker dynamic, in which liquidity providers outperformed ordinary users who primarily consumed posted prices [Source 21]. While methodologies differ, the directional finding is consistent across platforms: gains are concentrated among more sophisticated or structurally advantaged participants.

This pattern is commercially significant because many new users are acquired through simplified marketing narratives emphasizing easy participation, entertainment value, side-income potential, or low-dollar opportunity. Yet the underlying market structure appears to reward experience, speed, information, and market-making behavior rather than casual participation.

Licensed gaming regulation is built around the premise that wagering products can generate consumer harm and therefore require safeguards, disclosures, and responsible-gaming controls. Prediction market platforms now attract comparable retail participation while often framing the activity as investing yet exhibiting outcomes that suggest many ordinary users may not fully understand the risks or structural disadvantages they face. Source materials and studies are summarized in Exhibit B.

D. Unified Account Infrastructure: Deliberate Design Across the Regulatory Boundary

The competitive asymmetry described in this submission is not limited to standalone prediction market operators. Three major licensed sportsbook operators have launched CFTC-regulated prediction market products alongside their state-licensed sportsbooks, allowing the same enterprise to operate under two different regulatory frameworks simultaneously.

From a commercial standpoint, these products are not separate ecosystems. They are commonly offered under the same brand identity, through overlapping customer accounts, shared wallets or funding rails, common navigation pathways, and integrated mobile applications. The practical effect is that a customer entering through a trusted sportsbook brand can be migrated with minimal friction into a prediction market product governed by materially different rules.

Documentation reviewed for this submission indicates recurring patterns across these sportsbetting operators, including shared account credentials, cross-product funding systems, direct in-app links between sportsbook and prediction market products, and consumer-protection tools that are often more robust on the sportsbook side than on the prediction market side. In at least one reviewed implementation, deposit limits applied across both products while wagering limits did not. Screenshots and supporting examples are compiled in Exhibit C.

This architecture is commercially significant because it allows operators to leverage the customer relationships, brand trust, and acquisition spending developed within the licensed gaming framework while directing a portion of user activity into products operating outside many of the obligations attached to sportsbook licensure.

The issue is not merely operational efficiency. It is that the same companies can maintain one set of standards where required by state gaming law and a lighter set of standards where permitted under federal classification, while presenting both products to consumers as part of a unified experience.

That is not neutral market evolution. It is regulatory arbitrage facilitated by shared infrastructure. Detailed examples appear in Exhibit C.

E. Consumer Protection by Regulatory Classification

The operators reviewed for this submission offer materially different consumer-protection frameworks on their sportsbook and prediction market products. These differences arise within unified commercial ecosystems in which the same companies design, market, and maintain both products, yet offer meaningfully different safeguards depending on regulatory classification. The full comparison appears in Exhibit C, Table C-1.

Licensed sportsbook products commonly include broader responsible-gaming tools such as wagering limits, loss limits, time-outs, activity statements, reality checks, self-exclusion options, parental controls, budgeting tools, and other intervention measures developed under state gaming oversight. By contrast, the corresponding prediction market products reviewed for this submission generally offered a narrower set of controls centered primarily on deposits, account access, cooling-off periods, or limited self-exclusion features.

Examples are illustrative. FanDuel Sportsbook offered an extensive “Responsible Play” suite including timeout, self-exclusion, reality checks, activity statements, parental controls, wagering limits, and deposit thresholds. FanDuel Predicts offered a materially narrower set of tools centered on deposit controls, statements, and long-term break functionality. DraftKings Sportsbook offered a broad “Responsible Gaming Center” including budget builder, loss limits, wagering limits, reminders, and alerts, while DraftKings Predictions offered a reduced “Responsible Trading Center” centered on deposit limits, cool-

off periods, and self-exclusion. Fanatics Sportsbook offered wagering limits and multiple gaming controls, while Fanatics Markets offered fewer tools and did not include an equivalent wager-limit feature. Detailed side-by-side comparisons appear in Exhibit C.

Language choices reinforce the divide. Fanatics labels its sportsbook framework "Responsible Gaming" while its prediction market framework is titled "Responsible Risk Management." DraftKings uses "Responsible Gaming Center" for sportsbook and "Responsible Trading Center" for prediction markets, described as "your guide to smart, informed trading." FanDuel uses "Responsible Play — Player Protection Resources" for sportsbook products while its prediction market product uses "Trade Responsibly." Even self-exclusion terminology shifts from excluding oneself from betting to excluding oneself from trading.

These distinctions are commercially significant. The same operators that built robust responsible-gaming systems for their licensed sportsbooks have, in multiple reviewed instances, offered reduced consumer-protection functionality on adjacent prediction market products serving overlapping customer bases.

The issue is not that identical products must always carry identical controls. It is that substantially similar sports-event participation products are being offered by the same operators under materially different consumer-protection standards based principally on regulatory classification.

That result has commercial value for operators. Consumer safeguards should be determined by how a product functions in practice, not solely by how it is labeled for regulatory purposes.

F. Market Integrity, Insider Trading and Enforcement Capacity

Sports prediction market platforms present themselves as regulated derivatives exchanges subject to the CFTC's anti-fraud and anti-manipulation authority. The insider trading record of the past six months demonstrates that the CFTC's claimed regulatory authority over these platforms is not matched by either the enforcement capacity or the demonstrated willingness to exercise it.

In January 2026, a Polymarket account created in December 2025 placed approximately $34,000 in wagers on Maduro's removal — at odds as low as 8% on the final bet, placed shortly before President Trump ordered the military to strike. The account netted nearly $410,000 in profit, a roughly 12-fold return. The account's narrow focus, its recent creation, and the precise timing of its final bets in the hours before a closely held military operation— kept within a small circle of top White House advisers — led legal and financial experts to conclude that the trade bore all the hallmarks of insider trading [Source 1]. On April 23, 2026 — one week before the close of this comment period — DOJ and the CFTC filed criminal and civil charges against U.S. Army Master Sergeant Gannon Ken Van Dyke, who participated in the planning and execution of the operation, for using classified information to place those trades [Source 22, Source 23]. Polymarket publicly took credit for the indictment as "proof the system works." The performance was compliant, not proactive.

The pattern repeated within weeks. In March 2026, six wallets collectively made approximately $1.2 million on contracts tied to the U.S. strike on Iran. Weeks later, a cluster of accounts — repeatedly changing their handles to obscure their identity — made an additional $611,000 betting on the subsequent U.S.-Iran ceasefire hours before President Trump announced it on Truth Social [Sources 3, 9]. At least 50 brand new accounts placed ceasefire bets in the hours and minutes before the announcement

— their first and only trades on the platform [Source 10]. Republican Congressman Blake Moore stated it was "highly unlikely that these are good-faith trades — it is much more likely that these are insiders with access to information ahead of the public" [Source 10]. Israeli authorities charged two individuals with using classified information to bet on military operations. Senator Richard Blumenthal formally demanded Polymarket's CEO address insider trading concerns related to national security, writing that Polymarket had become "an illicit market to sell and exploit national security secrets unlike any in history." Congress introduced the Public Integrity in Financial Prediction Markets Act. The CFTC issued guidance reminding platforms of their responsibilities. There is no public record of subsequent enforcement action.

The pattern extends beyond national security. In December 2025, a Polymarket account "0xafEe" earned $1.2 million betting correctly on Google's most-searched people of 2025 before the data's public release. The same account had previously earned over $100,000 on the precise release date of Google's Gemini 3 AI model. Polymarket users dubbed the trader the "Google insider"; Google declined to comment. No platform or regulatory response has been documented. The insider trading problem on these platforms is not limited to classified government information — it extends to any domain where non-public information has predictive value over a contract outcome.

The industry's own posture on the question is revealing. In fall 2025 — before the Maduro trade — Polymarket CEO Shayne Coplan told 60 Minutes' Anderson Cooper that insiders having an edge in prediction markets was "a good thing," describing it as "sort of an inevitability" with "a lot of benefits." [Source 2]. Following the Maduro controversy, Polymarket updated its rulebook to explicitly prohibit trading on material non-public information. The rule change was reactive, not proactive — and its enforceability depends entirely on a regulator whose Chicago enforcement office, historically responsible for its largest cases, lost its entire team of enforcement attorneys under the current Administration, with four of five chief trial attorneys laid off in a single day [Source 6].

Sitting members of the Senate Agriculture Committee — the body with congressional oversight of the CFTC — questioned the agency's capacity to oversee its current and prospective regulatory perimeter at Chairman Selig's November 2025 confirmation hearing, noting bipartisan concern that the Commission had downsized roughly 20% of its staff. Six days before the close of this comment period, Senator Jack Reed (Ranking Member, Senate Armed Services Committee) wrote to Chairman Selig stating that since 2024 the Commission has reduced its Enforcement Division headcount by 25% (from 140 to 105) and its enforcement budget by 27%, and noted that the U.S. Army Master Sergeant charged in the Maduro matter was "the one and only person who has been subject to a new CFTC enforcement action for the entire year across all markets that the agency oversees". [Source 26] The agency's leadership has publicly dismissed the "false media narrative" that CFTC-regulated markets are the Wild West. Even the agency's own Director of Enforcement, in a March 31, 2026 NYU Law School address, identified insider trading in prediction markets as the agency's top enforcement priority and called on exchanges to "do their jobs" — public commitments offered while the staff capable of enforcing them has been dismantled and the agency itself has self-certified, without independent review, the December 2025 Rule 5.3 amendment documented in Section III.D that makes such enforcement materially harder [Source 24]. The Commission has claimed exclusive jurisdiction over a market it demonstrably lacks the capacity to police.

The private sector has begun drawing conclusions the Commission has not. On April 13, 2026, Robinhood — the largest distributor of Kalshi's prediction market contracts, accounting for more than half of Kalshi's volume — announced it was deliberately restricting the range of event contracts it offers due to insider trading concerns. Jordan Sinclair, President of Robinhood UK, told the Financial Times the company was "very focused on market abuse, insider trading" and had excluded certain contract types — including mention markets — for exactly those reasons [Sources 4, 5]. Kalshi's own CEO acknowledged that prediction markets "are likely to attract fraud and insider trading." A major distributor of these products has concluded, on its own commercial judgment, that the regulatory framework is insufficient to police the market it is in. The market's largest distributor has already acted on these concerns. The Commission has not.

The product perimeter is expanding; enforcement capacity is not.

Approx. Date	Category	Illustrative Event / Contract	Concern	Relevance
2025–2026	Insider Trading / MNPI	Maduro military-operation trades; charged service member	Use of non-public info	Shows risks are real
Mar–Apr 2026	Geopolitical Events	Iran strike / ceasefire contracts with suspicious timing	Information asymmetry / national security sensitivity	Fast-moving high-risk markets
2025–2026	Geopolitical Events	Hostage release / war escalation / military action contracts	Volatility / unverifiable information flows	Hard to supervise in real time
2025–2026	Election / Public Policy	Presidential, nomination, legislative contracts	Manipulation / legitimacy / confidence	Civically sensitive markets
2025–2026	Election / Public Policy	Agency appointments / cabinet selections / court outcomes	Insider access / policy leakage	Sensitive governance markets
2025–2026	Product Expansion	Live sports / parlays / props	Monitoring burden	Oversight complexity
2026	Oversight Capacity	Staffing reductions / resource constraints	Enforcement limitations	Jurisdiction vs capability
Apr 2026	Distributor Response	Robinhood narrowing offerings	Private sector concern	Integrity risks recognized commercially

III. MARKET STRUCTURE: EXCHANGE OR BOOKMAKER?

A central claim advanced by sports prediction market platforms is that they operate as neutral exchanges rather than sportsbooks. That distinction is commercially significant because it is frequently invoked to justify materially different regulatory treatment.

The relevant commercial question, however, is not how a platform labels itself, but how it functions in practice. A traditional exchange primarily facilitates transactions between independent counterparties while remaining economically neutral to specific outcomes. A sportsbook, by contrast, curates event menus, structures pricing, manages risk, and designs products to maximize wagering participation.

Current sports prediction platforms increasingly exhibit elements of both models. They may use exchange-style mechanics in certain contexts, yet also present sportsbook-style menus, parlays, proposition products, odds-based interfaces, and engagement features aimed at recreational sports users. Consumers experience these products functionally, not legally.

This section evaluates where current platforms resemble genuine exchanges, where they resemble sportsbooks, and whether the resulting hybrid structure creates regulatory consequences not fully addressed by either traditional framework.

A. Characteristics of a Genuine Exchange Model

A genuine exchange is fundamentally different from a bookmaker. Where a bookmaker sets prices, takes positions, and profits from customer losses or pricing spread, an exchange is a neutral marketplace. It matches buyers and sellers holding opposing views on the same event. The exchange itself does not take a directional position and generally earns revenue from transaction or commission fees tied to matched volume rather than from any specific outcome.

This distinction is commercially meaningful. On a genuine exchange, a participant who is consistently right is not a threat to the platform— they are a source of liquidity and volume. The exchange does not limit successful customers, close winning accounts, or reprice against profitable users because their gains do not directly impair the platform's economics.

A bookmaker operates differently. A consistently profitable bettor can erode margin, create adverse selection, or expose weak pricing. The common commercial response is to reduce limits, restrict access, or otherwise manage that customer.

For an exchange to function efficiently, it requires liquidity — the continuous presence of resting orders at competitive prices so that any participant can enter or exit a position near fair value. In practice, this liquidity is provided by market makers: participants who post bid and ask prices across a range of contracts, earning the spread between the two.

Market makers are essential to the ecosystem. Without them, buyers and sellers with opposing views might never find each other at an acceptable price, and the market would become illiquid and dysfunctional. In a well-functioning exchange, market makers operate transparently: their resting orders are visible in the public order book, counterparty identity is anonymous, and no individual participant can be singled out for favorable or unfavorable treatment.

Licensed sports wagering exchanges — platforms like Betfair in the U.K. — operate on this model. Prices are set by market participants, not by the platform. Matching is anonymous. Sharp bettors are welcomed, not limited: their activity improves price efficiency and benefits all participants. The exchange profits regardless of who wins.

B. Characteristics of a Traditional Sportsbook Model

A sportsbook operates differently from an exchange by design. It does not match opposing bettors against each other. It takes the other side of every wager itself —it is the counterparty, not a neutral facilitator. A sportsbook sets its own prices, embeds a margin (the vig) in every line it offers, and manages a directional book of exposure on every event. Its commercial survival depends on its aggregate edge over the customer population, which means a sportsbook is, at its core, a risk management business.

Risk management for a sportsbook begins with pricing. The opening line reflects the operator's best estimate of the true probability of an outcome, adjusted for expected customer behavior. As wagers come in, the sportsbook moves the line to balance its book, shade its risk, or protect against sharp action. A sportsbook that fails at this —that leaves a stale line hanging after new information has entered the market, or that cannot move quickly enough in-play —takes on losses that erode its margin. Modern sportsbook operations are built around trading desks, automated pricing systems, and market-maker feeds that continuously reprice in response to game state, betting volume, and counterparty behavior.

Risk management continues at the customer level. A sportsbook's commercial survival depends not only on aggregate margin but on avoiding adverse selection —taking a disproportionate share of wagers from customers whose predictions are consistently more accurate than the sportsbook's own pricing. A customer who is consistently right is a direct threat to profitability, not a source of useful information that the sportsbook can monetize. The standard commercial response is to limit the customer's maximum stake or close the account entirely. This practice —limiting or banning sharp bettors —is standard across the majority of licensed commercial sportsbook operators, and it is how the industry manages exposure to informed counterparties.

Risk management also operates at the wholesale level in principle. State regulations across licensed U.S. sports wagering jurisdictions contemplate layoff activity —the transfer of exposure from one operator to another to manage residual risk —and specifically require that any such layoff occur between operators licensed in the same jurisdiction. That state-by-state licensed-counterparty requirement, combined with the small number of licensed operators in any given state and the absence of any commercial incentive for competitors to absorb each other's residual risk at a wholesale price, has made U.S. licensed layoff activity close to nonexistent in practice. Regulatory architecture contemplates it; the commercial conditions do not support it. The result is that whatever wholesale risk-transfer function exists in the U.S. sports-wagering market has been effectively contained inside the state-licensed regulatory perimeter — not through prohibition, but through structural friction.

These functions — setting and moving prices on a directional book, limiting individual counterparties based on their skill, and containing wholesale risk transfer inside the state-licensed perimeter — are what make a business a bookmaker within the regulated framework. An exchange performs none of them. An exchange sets no prices; the market does. An exchange limits no participants based on skill. An exchange holds no directional book and therefore has no residual exposure to transfer. The distinction is not stylistic. It is operational.

C. Where Sports Prediction Platforms Depart from the Exchange Model

Sports prediction market platforms present themselves as exchanges. The structure of their standard limit order books is consistent with that characterization: orders are posted publicly, matching is anonymous,

and retail participants trading single-event contracts on the visible order book generally do not face the account restrictions commonly associated with sportsbook operations. A consistently profitable retail bettor on Kalshi's standard order book is not, as a matter of documented practice, subject to stake limits or account closure solely because of profitability. In these respects, the standard order book functions in the manner a genuine exchange is designed to function.

However, one structural feature of current sports prediction market operations represents a material departure from the neutral exchange model—and it involves the fastest-growing product segment on the platform.

The RFQ system and institutional counterparty visibility. In late September 2025, Kalshi introduced a Request for Quote (RFQ) system to facilitate combination (parlay-style) contracts. Unlike the standard order book — where all orders are anonymous — the RFQ system operates differently. When a retail user submits an RFQ for a combo contract, that request is distributed to a pool of institutional market makers who respond with competing quotes. The requester's identity is disclosed to the market makers responding to their request.

A market maker who has received multiple RFQs from the same participant can therefore observe whether that participant has been consistently right in their prior requests — and can decline to quote, or quote at a wider spread, based on that assessment. Counterparty visibility in the RFQ system gives institutional market makers the structural ability to identify and price against sharp counterparties. It applies to the RFQ/combo product specifically, not to standard single-event order book trading.

The commercial significance of the RFQ system has grown rapidly since its launch. RFQ-facilitated parlay volume on Kalshi represented under 5% of sports trading volume in the first weeks after launch in late September 2025. By the peak of the NFL playoff season in January 2026, parlay volume had crossed into double digits as a share of weekly sports volume. During the week of March Madness in March 2026, it reached approximately 20% of weekly sports volume. The RFQ product is not a marginal feature —it is the fastest-growing segment of the platform, and it is the segment where the exchange model's guarantee of anonymous, non-discriminatory execution does not apply.

The structural consequence of counterparty visibility in the RFQ system has not yet been the subject of published empirical analysis specific to the RFQ/combo product. The broader academic literature on prediction market microstructure, however, documents the downstream effects of the maker-taker dynamic at the population level. A 2025 working paper by researchers at University College Dublin analyzing over 300,000 contracts documented a consistent return differential between makers and takers across Kalshi generally, with makers earning higher returns than takers on average [Source 12]. Section II.C of this submission documents the more comprehensive and recent empirical record — the March 2026 Akey et al. study of Polymarket's complete transaction history [Source 19] and the parallel Becker working paper on Kalshi [Source 21] — which together establish that liquidity providers systematically profit at the expense of liquidity takers across prediction market platforms. The question specific to this section is whether and to what degree institutional market makers use counterparty visibility in the RFQ system to systematically price against identifiable retail participants — an empirical question the existing literature does not yet answer at the RFQ-product level. It is, however, a question the Commission is positioned to require platforms to answer — through mandatory disclosure of market maker identity, RFQ

counterparty data, and comparative return analysis between RFQ participants and standard order book participants — as part of any rulemaking that follows from this proceeding.

Sports prediction platforms are not bookmakers in the traditional sense — their standard order book architecture is genuinely different from the sportsbook model. The commercial finding is that the RFQ system — Kalshi's highest-margin, fastest-growing product — introduces a structural asymmetry the exchange model is specifically designed to prevent. Institutional counterparties with visibility into retail participant identity and trading history utilize that data to manage 'adverse selection'—the defining operational characteristic of a bookmaking desk. By pricing against participants based on prior skill rather than market-wide competition, these platforms facilitate a selective informational advantage on products that the retail participant cannot access on equivalent terms.

The platforms' own federal filings confirm this characterization. In an April 2026 petition to the United States Patent and Trademark Office, Kalshi classified its product as "bookmaking services, namely, providing of information related to sportsbetting: organizing, arranging, conducting sportsbetting and gambling tournaments, competitions and contests" [Source 17]. A platform cannot simultaneously represent to the USPTO that it provides bookmaking services while arguing to the CFTC that it operates a financial exchange exempt from state gaming law. The regulatory claim and the federal filing are irreconcilable.

FUNCTIONAL REALITY TEST

Licensed sportsbooks bear the full cost of operating as regulated bookmakers: gaming license fees, state taxes, mandatory responsible-gaming programs, self-exclusion compliance, advertising restrictions, and compact obligations where applicable. Sports prediction market platforms may avoid many of those burdens while offering materially similar sports-event participation products.

This is not a regulatory gap. The Commission asserted exclusive jurisdiction over these products under its interpretation of the Commodity Exchange Act, displacing the state consumer protection frameworks that governed the same activity, without imposing equivalent protections of its own.

D. Rule 5.3, RFQ Mechanics, and the Commercial Shift Toward Bookmaking Functionality

On September 29, 2025, Kalshi introduced its Request-for-Quote (“RFQ”) system, a commercially significant infrastructure development for complex sports contracts. This was more than a technical update. It created a parallel execution channel that moved certain transactions from the public, transparent order book to a quote-driven dealer model.

Standard contracts generally transact through a Central Limit Order Book (“CLOB”), where prices are formed through visible bids and offers. Same-game parlays and other multi-leg combination products are more difficult to price in that environment because they require simultaneous pricing of correlated outcomes within a single event. The RFQ system addressed that limitation by allowing institutional market makers to quote correlated risk on demand.

By deploying this RFQ architecture, Kalshi enabled institutional counterparties to perform a role functionally closer to bookmaker pricing than traditional exchange matching. Instead of price emerging solely through open market competition, a market maker may provide a bespoke quote for a specific user request, resembling the "request-a-bet" workflow familiar in commercial sportsbook markets.

The "Bookmaker's Bookmaker" Phase (November 2025). By mid-November 2025, Kalshi's NFL "combo" contracts—multi-leg same-event products functionally comparable to parlays—appeared to evolve from a primarily retail novelty into a product with broader commercial utility.

Public reporting on November 19, 2025, indicated that operators, including Underdog Fantasy, were using these combo contracts to manage liabilities associated with their own fantasy contest exposure. If a sports operator uses a CFTC-regulated platform to hedge sports-related payout risk, that platform is functioning not merely as a venue for prediction trading, but as a wholesale risk-transfer intermediary.

That development is commercially significant. It suggests Kalshi's sports products were being used not only for consumer speculation on outcomes, but also for the transfer and management of sports-event liabilities originating elsewhere in the gaming ecosystem. In that respect, the platform began to resemble what could fairly be described as a "bookmaker's bookmaker."

Rule 5.3: The Regulatory Pivot (December 2025). On November 25, 2025, Kalshi self-certified a two-pronged amendment to Rule 5.3, effective December 11, 2025 [Source 18]. The filing materially advanced the platform's shift toward a faster, more intermediary-driven sports execution model through two structural changes.

The Anonymity Amendment. The amendment permitted RFQ requesters to opt out of pre-execution identity disclosure through a pseudo-anonymous identifier setting until after execution. In practical terms, this allowed larger sports-risk transactions to be routed without immediate counterparty identification.

The Accelerated Latency Regime. The amendment also authorized Kalshi to designate certain "High Volatility Markets" ("HVM") and reduce the normal RFQ response-and-execution window from approximately 45 seconds to five seconds. In those markets, a responding market maker has two seconds to confirm a quote and three seconds before execution.

In practice, fast-moving live sporting events are the most commercially relevant category for such treatment. That execution tempo resembles in-play sports wagering environments reacting to real-time game developments more than traditional derivatives markets built around broader participant interaction.

Kalshi has stated that these changes were intended to reduce manipulation risk in rapidly moving markets. Even so, the practical effect is to favor institutional counterparties with automated quoting capability. Few, if any, ordinary retail users could realistically compete by pricing, responding, and executing against a professional quote within a five-second window.

The commercial significance is straightforward: where execution speed and system capability become prerequisites to participation, liquidity provision concentrates in professional hands. Those counterparties begin to function less like neutral passive intermediaries and more like principals

managing a dynamic book of sports-event risk, resembling risk-management practices familiar in licensed sportsbook operations.

Why Identity Shielding Matters. Kalshi framed the identifier opt-out as promoting "competitive pricing" by preventing other participants from identifying certain RFQ requesters in advance. That rationale may be more consistent with a bilaterally negotiated market than with a neutral, counterparty-agnostic order book.

In a traditional exchange structure, market participants generally do not require counterparty identity protection in order to quote competitively, because the market design itself limits discriminatory pricing based on participant identity. Prices are ordinarily driven by publicly displayed bids, offers, and anonymous interaction rather than by knowledge of who is requesting execution.

The commercial significance of pre-execution identity shielding is that it suggests counterparty identity may influence pricing behavior within the RFQ system. If participant identity were economically irrelevant, shielding it would have limited value.

That dynamic is more consistent with a principal-risk market in which liquidity providers manage adverse selection and selectively price counterparties than with a purely neutral exchange model. In that respect, identity shielding appears more aligned with dealer-style risk management than with anonymous exchange execution.

Self-Certification Without Independent Review. Kalshi self-certified that these Rule 5.3 changes were "not inconsistent with the CEA and the CFTC's regulations," allowing the amendments to take effect without prior substantive Commission approval of the resulting market architecture.

That procedural posture is commercially significant because the changes affected how participants interact, how quotes are generated, and who can realistically compete in the RFQ process. The combination of pre-execution identity shielding and an execution window measured in seconds can materially favor institutional counterparties with automated systems over ordinary participants relying on manual response times.

Once an RFQ process begins under those conditions, outside participants have little practical ability to intervene, improve the quote, or compete for execution against a professional market maker operating with speed and infrastructure advantages.

The broader concern for this proceeding is not self-certification as a statutory mechanism in itself. It is whether structural changes with meaningful implications for fairness, access, and competitive balance should take effect without more searching review when applied to mass-market sports participation products.

Like-for-Like Substitution. By December 11, 2025, Kalshi was offering products functionally comparable to same-game parlays through a framework that incorporated institutional-grade counterparty protections, yet without state gaming licensure, tribal compact obligations where applicable, or a responsible-gaming structure equivalent to that commonly required of licensed sportsbook operators. Nor were those products operating within the state tax and revenue-sharing frameworks applicable to regulated sports wagering markets.

The architectural transition described above is not merely theoretical. Its commercial effects are reflected in the handle data presented in Section I. The seventy-seven-month Normalized Baseline period of sustained year-over-year growth reversed in December 2025—the same month Rule 5.3 took effect. Four consecutive year-over-year declines continued through March 2026, and weekly reporting in April indicated that the pattern extended into a fifth consecutive month at approximately -1.1% year over year.

Correlation alone does not establish causation, and multiple factors can influence handle trends. However, the timing is commercially significant: a major structural expansion of sportsbook-like prediction market functionality coincided with the first sustained downturn in the normalized post-PASPA handle record.

Viewed together, the platform architecture and the market data may reflect the same commercial development from two different perspectives: sportsbook-style product migration on the supply side, and measurable demand displacement on the consumer side.

E. The Convergence Conclusion

The handle reversal documented in this section did not occur in a vacuum. It coincided with the period in which prediction market platforms made a deliberate commercial shift to make their products look, feel, and function like licensed sportsbooks. That strategy has since accelerated and is now openly acknowledged in public product statements.

Product Interface Evolution: From Exchange Format to Sportsbook Format

BEFORE — Early Kalshi (pre-2025)	AFTER — Kalshi "Sports Fan Mode" (2025–26)
• Financial terminal aesthetic • Binary YES/NO pricing in cents • Visible order book depth displayed • Percentage Pricing Only • No point spreads or totals • No parlay/combo feature	• **Standard sportsbook 6-box grid layout** • **American odds format** • **Integrated point spreads and totals** • **"Sports Fan Mode" toggle — converts probabilities to odds** • **RFQ parlay/combo product available** • **Same-game parlay (SGP) functionality supported**

Source: Source Index 16: *How to Display Sportsbook Odds at Kalshi: View American Odds*

In August 2025, Kalshi self-certified point spreads, totals, and touchdown props with the CFTC for NFL and college football. Industry observers noted at the time that these additions moved Kalshi closer to offering a full sports-betting experience [Source 15] and warned that sportsbooks and states had increasing reason to worry about prediction markets offering a competitive product capable of pulling users and handle away.

Kalshi subsequently introduced a "Sports Fan Mode" toggle allowing users to convert percentage-based contract pricing into standard American moneyline odds—the format universally used by licensed U.S. sportsbooks. The feature is commercially significant because it signals the intended user base [Source 16].

A platform focused primarily on financial forecasting utility would have little reason to prioritize conversion into sportsbook odds displays, point spreads, or a sportsbook-style browsing layout. Sports Fan Mode is evidence that the target consumer is the sports bettor rather than the traditional investor.

On September 29, 2025, Kalshi launched RFQ-priced parlays and combination products functionally comparable to the same-game parlay category widely identified by major sportsbook operators as a key driver of sportsbook margin expansion.

On March 2, 2026, DraftKings announced plans to integrate its prediction markets product directly into its core sportsbook application through a unified "Super App" offering standard U.S. betting lines on point spreads, totals, and moneyline in all 50 states. Leading sports-wagering media described the resulting product as something many users would consider a legal sportsbook [Source 13].

DraftKings' Head of Predictions stated that the product was being built around the mindset of a sports fan who wants to "get in on the action," adding that it would "feel like DraftKings." The company also announced rebranding around "DraftKings Sports & Casino," removing the word "sportsbook" while preserving substantially similar sports participation functionality. CEO Jason Robins further indicated that parlay-style combination products would follow, describing them as especially profitable and noting that prediction market margins could materially exceed traditional sports betting because they are not subject to state taxes [Source 14].

PRODUCT CONVERGENCE TIMELINE AND IMPACT ON SPORTSBETTING HANDLE

Date	Product Evolution (Convergence)	Observed Sportsbook Handle Trend
Jan 2025	**Baseline:** Kalshi offers binary YES/NO contracts with a financial-terminal style interface.	Cohort sportsbook handle remains in sustained positive YoY growth during the Normalized Baseline Period.
Aug 2025	**Expansion:** Kalshi self-certifies point spreads, totals, and prop-style contracts.	Strong Growth: +25.1% YoY; no visible disruption.
Sep 2025	**Innovation:** RFQ combination/parlay-equivalent products launched under "Exotics."	Growth Slows to +10.5% YoY as prediction volume reaches $2.56B.
Oct 2025	**Conversion:** "Sports Fan Mode", displaying American odds; Parlay user-interface introduced.	Handle Remains Strong **at +**14.6% YoY.
Nov 2025	**Build-out:** Exotics event count rises from 82,853 in October to 363,087 discrete listings.	Growth moderates to +9.4% YoY —first sign of potential sharp action displacement.
Dec 2025	**Critical Mass:** Exotics reach 10.5% share (approx. $637M) of sports prediction volume	INFLECTION. First Negative YoY Handle Month Outside Exception Periods: -1.7% YoY.
Jan 2026	**Scale:** Robinhood launches event contracts via Kalshi exchange; Exotics reach 14.1% share.	-3.8% YoY. Decline continues during NFL Playoffs.
Feb 2026	**Saturation:** NBA Exotics (same game parlays) added; Exotics reach 14.6% share.	-1.7% YoY despite Super Bowl period.
Mar 2026	**Standardization:** DraftKings launches unified sportsbetting & prediction app.	-3.7% YoY Handle. Fourth consecutive decline.

↯ Apr 2026	**Diversification:** Exotics reach 23.7% of sports prediction volume across multiple sports.	Preliminary reporting in 3 states indicates -1.1% YoY, extending downturn into a fifth month.

↯ = Month of documented YoY handle decline. Sources: State gaming regulatory reports (compiled by iGaming Capital LLC); Ticker-Tracker.com.

These are not innovations principally designed to improve price discovery or hedging utility—the traditional rationales often associated with prediction market regulation under the Commodity Exchange Act. They are features designed to replicate the highest-engagement and highest-margin products in the licensed sportsbook ecosystem: moneyline pricing, point spreads, totals, and same-game parlays. The parlay share of total sports prediction volume grew from effectively zero to 18.5% within five months. That pattern is more consistent with a deliberate commercial pivot toward the sports-betting consumer than with organic financial-market evolution, and it is reflected in the platforms' own public statements and product roadmaps.

At the same time, these platforms have continued to maintain before regulators, courts, and this Commission that their products are fundamentally distinct from sports wagering and therefore outside the jurisdiction of state gaming regulators. Versions of that position have been advanced in proceedings involving New Jersey, Nevada, Massachusetts, Arizona, Connecticut, Washington, and Illinois, and it is being advanced in this proceeding as well.

Public and legal statements from Kalshi as recently as 2024 underscore the significance of the subsequent product shift. In an October 2024 public AMA session, CEO Tarek Mansour stated that Kalshi would not list products that could be interpreted as gaming, including sports, because such offerings were allegedly unlawful under federal law. In separate 2024 filings, outside counsel similarly warned against laundering casino-style or sports gambling through derivatives markets and identified contracts contingent on game outcomes—such as whether a team would win the Super Bowl—as paradigmatic gambling examples.

The commercial record then changed rapidly. No intervening statutory amendment, Commission rulemaking, or clearly identified new legal authority separated those statements from the January 2025 launch of sports products. By February 2026, Kalshi reportedly handled more than $1 billion in Super Bowl-related volume involving the same category of event previously cited as paradigmatic gambling.

That sequence is commercially significant. It suggests that product strategy evolved far more quickly than the legal distinctions invoked to defend regulatory separation.

The pattern is not limited to Kalshi. DraftKings, FanDuel, and Fanatics have each positioned their prediction market offerings to closely resemble their sportsbook products through matching odds formats, similar bet types, parlay-style structures, and substantially similar user interfaces, while simultaneously maintaining before regulators, courts, and this Commission that prediction market products are legally distinct from sports betting.

These platforms claim to be financial exchanges distinct from products traditionally regulated as sports wagering, while simultaneously introducing Sports Fan Mode, six-box sportsbook-style layouts, point spreads, parlays, and same-game parlay functionality designed to mirror the consumer experience of the sportsbooks from which distinction is asserted. Public

THE REGULATORY CONTRADICTION	commentary from industry participants, including DraftKings personnel, and leading U.S. sports wagering trade media has likewise described the resulting products in sportsbook terms. The commercial record and the regulatory claim are in direct tension.

The empirical consequence of that convergence is reflected in the market data described in this section. Parlay volume on prediction market platforms grew from effectively zero to approximately $2.20 billion per month within five months. During the same period, regulated sports-betting handle declined in each month that parlay volume materially scaled.

Correlation alone does not establish causation, but the directional pattern is commercially relevant: regulated handle weakened while economically similar prediction market volume accelerated. That inversion is consistent with product substitution.

Consumers did not need a formal legal classification to assess functional similarity. They responded to payout opportunity, interface familiarity, convenience, and product design. The handle data may reflect the aggregate result of those consumer choices.

The Commission requested comment on how prediction markets should be regulated. The commercial record presented here raises a prior question: whether a product deliberately engineered to replicate sports betting in commercially meaningful respects—and described by operators as intended to "feel like" a sportsbook—can persuasively maintain that it is categorically different for regulatory purposes.

That question need not be conclusively resolved in this comment. But the evidence suggests it should be confronted before any regulatory framework for these products can be considered complete.

IV. SUMMARY OF COMMERCIAL FINDINGS

Based on the data, source materials, and market developments discussed in this submission, the following principal commercial findings emerge. These findings are presented as commercial observations relevant to competition, consumer protection, market structure, and regulatory policy, rather than as legal conclusions. The following is a summary of commercial findings for the Commission's record:

- **Finding 1: Substitution evidence is now documented.** Four consecutive months of year-over-year sportsbetting handle decline (December 2025 through March 2026) reversed 33 consecutive months of uninterrupted Same-State positive growth during the Normalized Baseline Period. The reversal coincided with sports prediction market volume rising from under $1 billion to $11.9 billion per month, and with Kalshi's December 11, 2025 Rule 5.3 amendment described in Section III.D. April 2026 partial weekly reporting from three states shows aggregate handle down approximately -1.1% YoY on a like-for-like three-week basis, extending the pattern into a fifth consecutive month. On the prediction-market side, Kalshi Exotics share reached approximately 24% in April 2026, and total sports prediction market volume rose to $13.6 billion. Seasonal variation, Super Bowl softness, or isolated

market events do not plausibly explain four consecutive months of decline spanning the College Football postseason, NFL Playoffs, Super Bowl, March Madness, and ongoing NBA/NHL seasons. See Section I.B and Exhibit A.

- **Finding 2: The 18-to-20 demographic exploit is a structural commercial advantage.** Sports prediction market platforms are onboarding a three-year consumer cohort that licensed sportsbooks are contractually prohibited from reaching. This is not incidental — it is a commercially significant asymmetry that prediction market operators are actively exploiting through targeted acquisition marketing.
- **Finding 3: Influencer marketing to young adults uses deliberately misleading "investment" framing.** The marketing content currently in market "invest your lunch break," micro-amount return framing, no responsible gaming disclosures would not pass regulatory review in any licensed sports wagering jurisdiction. It is reaching the most financially vulnerable acquisition demographic through channels that licensed operators cannot use.
- **Finding 4: The bookmaking structure is deliberately built into the system.** Institutional market makers on the RFQ/combo product — the fastest-growing segment of the platform — have the structural ability to identify and price against counterparties based on their profitability history. This is the defining operational characteristic of bookmaking, not exchange trading. The standard order book operates as a different architecture, but its commercial role is increasingly secondary: the RFQ system carries the parlay growth, and sub-second response windows excluded by design from retail participation reinforce a dealer-style, principal-risk market rather than a neutral exchange model. See Section III.C and III.D.
- **Finding 5: The retail losses the system produces are empirically documented**. A March 2026 academic study analyzing the complete transaction history of Polymarket — 1.4 million users and over $20 billion in volume — documents that 70.8% of users lose money, the top 1% of users capture 84.1% of all trading gains, and the single strongest predictor of not losing money is operating as a liquidity provider rather than a liquidity taker, a 36-percentage-point swing in loss probability. The median retail user has never posted a maker order. A parallel working paper analyzing 72 million trades on Kalshi documents the same maker-taker wealth-transfer dynamic on the CFTC-regulated platform. The structural pattern documented in Finding 4 is producing the consumer-harm outcome that licensed state gaming frameworks exist to constrain.
- **Finding 6: Documented recurring market-integrity concerns; the Commission's enforcement capacity has been materially reduced.** Insider-trading concerns on these platforms have moved from academic debate into documented enforcement: in April 2026, DOJ and the Commission jointly charged an Army Master Sergeant with trading on classified information related to the U.S. operation against Maduro, one of multiple recent episodes involving apparent use of nonpublic government information (Iran strike, ceasefire) and nonpublic commercial information (Google product releases). Each represents conduct the Commission has asserted exclusive jurisdiction to police. The CFTC's capacity to police it has contracted in parallel — the entire attorney staff of its Chicago office, historically responsible for its largest cases and 20 of 168 enforcement actions over three years, was

eliminated in a single round of layoffs [Source 6]. In a March 31, 2026 address at NYU Law School, the Director of Enforcement identified insider trading in prediction markets as the agency's top priority [Source 24]; the staff capable of executing that priority was being reduced over the same period. Public reporting has also documented direct financial interests held by senior political figures, family members, and major political donors in prediction market platforms — interests that raise independence questions a Commission claiming exclusive jurisdiction must be prepared to answer [Sources 7, 8]. Robinhood — the largest distributor of Kalshi contracts and the source of more than half of its volume — has independently restricted certain contract types it offers, citing concerns related to market abuse and insider trading [Sources 4, 5]. The actions of a major distribution partner underscore the importance of ensuring that oversight keeps pace with market developments. A Commission asserting exclusive jurisdiction over a rapidly expanding retail-facing market should be able to demonstrate that its surveillance and enforcement capacity are scaling accordingly. The current record raises questions as to whether that alignment has been achieved.

- **Finding 7: Deliberate Product Convergence Contradicts Regulatory Claims.** Within twelve months of launching as a financial terminal with binary YES/NO contracts priced in cents, Kalshi had introduced point spreads, totals, touchdown props, same-game parlays, a Sports Fan Mode toggle converting implied probabilities into American moneyline odds, and a six-box layout resembling a licensed sportsbook. A platform genuinely competing for financial investors would have little commercial reason to build these features. They are sportsbook features designed for sportsbook consumers. Kalshi's own April 2026 USPTO filing classifies the product as "bookmaking services, namely, providing of information related to sportsbetting organizing, arranging, conducting sportsbetting and gambling tournaments, competitions and contests" [Source 17]. A platform cannot simultaneously argue to regulators that it is a financial exchange distinct from sportsbetting while engineering its product to be indistinguishable from a sportsbook.
- **Finding 8: The Commission's claimed jurisdiction is expanding faster than its demonstrated capacity to exercise it**. The Commission's deliberative process is being lapped by the conduct it is deliberating on. Sports event contracts, point spreads, parlays, the December 11, 2025, Rule 5.3 amendment described in Section III.D, and college transfer portal contracts were each self-certified and launched without prior approval, expanding the Commission's claimed jurisdiction without formal rulemaking, public interest determination, or consumer protection conditions. State enforcement actions have followed: the New York Attorney General has filed suit against Coinbase and Gemini for operating prediction markets as unlicensed gambling in violation of state law, extending such actions to six jurisdictions. The pattern documented throughout this submission — self-certify aggressively, launch before regulators respond, expand jurisdiction by fait accompli — did not pause for this rulemaking. It accelerated through it. The Commission asked how prediction markets should be regulated. The more urgent question, based on the record developed during comment period alone, is whether the Commission's current regulatory posture is capable of keeping pace with the market it has claimed exclusive jurisdiction over.

V. CONCLUSION

Sports prediction market platforms are offering a product that functions as a direct substitute for licensed sportsbooks. The displacement documented in this submission has not paused during the comment period: April weekly reporting from three states shows aggregate handle down -1.1% YoY, extending the pattern into a fifth consecutive month. These platforms are reaching consumers who state legislatures have independently determined must be protected from this product — including a three-year demographic cohort that every licensed operator is legally prohibited from accessing. They are using marketing methods that licensed jurisdictions have independently concluded create consumer harm. They are doing so without the consumer-protection infrastructure established because sports wagering produces documented harms; without the tax obligations that fund the public services sports wagering consumes; without the compact fees tribal frameworks require because exclusivity has value; and without the age-verification standards designed to protect the public.

The protections that licensed operators bear are not merely competitive burdens. They are the accumulated judgment of dozens of independent legislatures and regulators. Prediction market platforms have offered substantially the same product while systematically avoiding each of those policy judgments. The Commission has permitted it.

The opening of this submission identified a structural distinction: licensed gaming regulation is proactive; the CFTC framework is reactive. That distinction does not, by itself, condemn the federal framework. A reactive enforcement model can function within a regulatory framework. So can an expansive jurisdictional claim. The two are independently coherent: a reactive framework with a narrow product perimeter places the burden of compliance on the operator and the burden of accountability on the operator when compliance fails. A proactive framework with a wide product perimeter places the burden of pre-approval on the regulator, who in exchange permits a broader range of permissible products. Either model has internal logic.

The current CFTC posture represents a regulatory mismatch: a reactive enforcement model paired with exclusive jurisdiction over a rapidly expanding universe of self-certified products. By allowing operators to dictate the product perimeter while processing self-certifications without independent evaluation, the Commission has created a framework where enforcement is perpetually trailing market harm. In this environment, consumer exposure serves as the de-facto "test case," and enforcement actions—when they occur—are marketed by platforms as proof of system efficacy rather than evidence of structural failure.

State regulators with specialized institutional knowledge and proactive enforcement capacity are simultaneously displaced from acting on the very conduct the federal framework is failing to address. This submission offers no opinion on how these products should be regulated; rather, the commercial record raises the fundamental question of whether the Commission is the appropriate regulator for this market segment at all. These findings are grounded in over 20 years of direct experience in licensed gaming and 10 years in the financial sector. The commercial record speaks for itself.

Respectfully submitted,

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April 30th, 2026

This submission presents commercial market observations and factual data. It does not constitute legal advice.

SOURCE INDEX

No.	Category	Publisher	Source Title	Date	URL	Used In
1	Media	Wall Street Journal	A Mystery trader Made $400,000 Betting on Maduro's Downfall	Jan. 26, 2026	wsj.com/world/americas/maduro-polymarket-bet-a2e5d100	II.F
2	Media	CBS New - 60 Minutes	Polymarket CEO says his prediction market is "the most accurate thing we have as mankind right now."	Nov. 30, 2025	cbsnews.com/news/polymarket-predictions-accuracy-shayne-coplan-60-minutes/	II.F
3	Media	CasinoBeats	Polymarket Faces Fresh Insider Trading Questions After Iran Ceasefire Bets	Apr. 9, 2026	casinobeats.com/2026/04/09/polymarket-faces-fresh-insider-trading-questions-after-iran-ceasefire-bets/	II.F
4	Media	Financial Times	Robinhood excludes some prediction markets over manipulation fears	Apr. 12, 2026	ft.com/content/84ddcfaf-f16a-481e-9986-c3e8af5653ac?syn-25a6b1a6=1	II.F
5	Media	iGaming Business	Robinhood restricts some prediction markets contracts amid insider trading concerns	Apr. 13, 2026	igamingbusiness.com/prediction-markets/robinhood-restricts-some-prediction-markets-amid-insider-trading-concerns/	II.F
6	Media	Barron's	U.S. Senators Question CFTC Enforcement in Wake of Staff Departures	Feb. 12, 2026	barrons.com/articles/cftc-regulation-crypto-prediciton-markets-360696cf	II.F
7	Media	NPR	A $400,000 profit on Maduro's capture raises insider trading questions on Polymarket	Jan 5, 2026	npr.org/2026/01/05/nx-s1-5667232/polymarket-maduro-bet-insider-trading	IV (finding 6)
8	Media	NBC News	Insider trading concerns around oil and military moves are on the rise. Can anyone police the bets?	Mar 27, 2026	nbcnews.com/business/consumer/insider-trading-prediction-markets-trump-rules-rcna265452	IV (finding 6)
9	Media	Decrypt	Potential Insiders Made $600K Predicting US and Iran Ceasefire on Polymarket: Bubblemaps	Apr 8, 2026	decrypt.co/363656/potential-insiders-600k-predicting-us-iran-ceasefire-polymarket-bubblemaps	II.F
10	Media	NPR	Well-timed bets on Polymarket tied to the Iran war draw calls for investigations from lawmakers	Apr 10, 2026	*npr.org/2026/04/10/nx-s1-5780569/betting-polymarket-iran-investigation-lawmakers*	II.F
11	Media	NEXTPreddict.io	Kalshi Lawyer Famous Gaff Floated CFTC Head	Sept 25, 2025	*nextpredict.io/market-news/kalshi-lawyer-famous-gaff-floated-cftc-head/*	II.A
12	Academic	UCD Centre for Economic Research	Bürgi, Deng and Whelan - Makers and Takers: The Economics of the Kalshi Prediction Market	Sept 2025	*ucd.ie/economics/t4media/WP2025_19.pdf*	III.C
13	Media	Covers.com	DraftKings' Unified App Accelerates Prediction Market Expansion	Mar 2, 2026	*covers.com/industry/draftkings-accelerates-prediction-market-expansion-march-2-2026*	III.E
14	Media	Wall Street Journal	DraftKings Is Using Its Sports-Betting Playbook to Win Prediction Markets Race	Mar 3, 2026	*wsj.com/business/media/draftkings-is-using-its-sports-betting-playbook-to-win-prediction-markets-race-4104e0b2*	III.E
15	Media	The Closing Line	Point Spreads And Prop Betting Are Coming To Kalshi	Aug 18, 2025	*closingline.substack.com/p/the-early-line-point-spreads-prop-betting-kalshi*	III.E
16	Media	Rotogrinders	How to Display Sportsbook Odds at Kalshi: View American Odds	Apr 2, 2026	*rotogrinders.com/sports-betting/kalshi/display-sportsbook-odds*	III.E
17	Legal/ Government	US District Court - Southern District of New York	Hallman et al. v. KalshiEX LLC	Refiled April 2026	*s3.documentcloud.org/documents/28061066/kalshi-sdny-class-action.pdf*	III.E
18	Regulatory	Kalshi	KalshiEX Rule 5.3 filing	Nov 25, 2025 (Submitted; Dec 11, 2025 (Effective)	kalshi.com/regulatory/notices	III.D

19	Academic	ESSEC/ HEC Montréal/ Toronto	Who Wins and Who Loses in Prediction Markets? Evidence from Polymarket	Mar 18, 2026	papers.ssrn.com/sol3/Delivery.cfm/6443103.pdf?abstractid=6443103&mirid=1	II.C, III.C
20	Media	InGame	Study: You Are Almost Certainly Not Making Money At Polymarket	Apr 23, 2026	ingame.com/polymarket-academic-study-winners-losers-skewed/	II.C
21	Research	Jonathan Becker	The Microstructure of Wealth Transfer in Prediction Markets	Jan18, 2026	jbecker.dev/research/prediction-market-microstructure	II.C
22	Government	US. Dept of Justic	U.S. Soldier Charged With Using Classified Information To Profit From Prediction Market Bets	Apr 23, 2026	*justice.gov/usao-sdny/pr/us-soldier-charged-using-classified-information-profit-prediction-market-bets*	II.F
23	Regulatory	US CFTC	CFTC Charges U.S. Service Member with Insider Trading in Nicolás Maduro-Related Event Contracts	Apr 23, 2026	*cftc.gov/PressRoom/PressReleases/9217-26*	II.F
24	Regulatory	US CFTC	Remarks at NYU Law School — CFTC Enforcement Priorities, Insider Trading in the Prediction Markets, and Cooperation with the CFTC	Mar 31, 2026	*cftc.gov/PressRoom/SpeechesTestimony/opamiller1*	II.F
25	Government	Senator Jack Reed	Letter to CFTC Chairman Michael Selig	Apr 24, 2026	*reed.senate.gov/news/releases/reed-presses-cftc-chair-on-lack-of-enforcement-action*	II.F

EXHIBIT A

HANDLE DISPLACEMENT ANALYSIS

Technical Submission — CFTC ANPRM: Prediction Markets (RIN 3038-AF65) | April 2026

KEY FINDINGS AT A GLANCE

December Reversal	March 2026 Sustained	4-Month Rolling YoY Δ	Sports Prediction Vol Mar '26
-1.7%	**-3.7%**	**-3.0%**	**$11.9B**
First YoY sportsbetting handle decline — after sustained growth	Four consecutive months with sustained YoY decline	Cohort sportsbetting states	Kalshi + Polymarket US sports; same month as handle decline

METHODOLOGY

Cohort States. This analysis includes all U.S. states with legal sportsbetting that publicly report monthly handle suitable for direct comparison. Nebraska is excluded because it does not publicly report monthly handle. Missouri is excluded because it launched in December 2025 and has no comparable prior-year period within the analytical timeframe. The Cohort States define the universe of jurisdictions from which the growth rates below are calculated. The term refers to the population of states, not to a growth-rate metric.

Same-State Growth Rate (or Same-State YoY Δ). Calculated each month as the weighted aggregate of each Cohort State's same-month-prior-year handle comparison. A Cohort State contributes to a given month's calculation only when it has reported handle for both the current month and the same calendar month in the prior year, ensuring a true like-for-like comparison at the state level. The contributing state set expands over time as newer markets accumulate twelve months of operating history; the composition of the monthly contributors may therefore vary, but each reported monthly YoY figure is internally consistent and reflects only valid same-state comparisons. The Same-State Growth Rate is the primary year-over-year handle metric used throughout this submission.

Mature Same-State Cohort(or Mature Same-State YoY Δ).: Consists only of Cohort States with live mobile sports betting operations by January 2023 — that is, states with at least twelve months of operating history prior to January 2024 and therefore a valid January 2024 year-over-year comparison. Membership in this cohort is fixed and does not change month-to-month. Newer states are excluded because early-stage markets continue to generate residual growth from rollout, acquisition, and maturation effects, which can mask underlying demand changes. The Mature Same-State Cohort isolates trends in jurisdictions that had already moved beyond the initial launch phase, providing a stricter test of underlying demand changes than the floating-membership Same-State Growth Rate**.** The Mature Same-State Growth Rate is reported alongside the Same-State Growth Rate throughout this submission as a stability check.

Normalized Baseline. The period of operation of the post-PASPA U.S. sportsbetting market, July 2019 through November 2025, comprising every month of legal regulated sportsbetting in the cohort universe with the exception of two documented external distortions: (1) the four-month Covid-related sports shutdown of March through June 2020, and (2) the one-month February 2023 comparison-base distortion produced by New York's January 2022 mobile launch and associated promotional cycle. Excluding these statistical artifacts (the Exception Periods), monthly Same-State Growth Rates remained positive in every measured month across the 77-month operating record. The current contraction represents the first sustained reversal in the history of the post-PASPA market that cannot be attributed to baseline anomalies or launch-year normalization. The correlated inversion — where Same-State Growth Rate handle declines precisely as prediction volume hits record scale — provides the most analytically reliable evidence of structural consumer substitution.

Handle Methodology: Handle figures are calculated on a settled-wagers basis where states report on that basis. State agencies vary in their reporting frameworks: some report on a settled-wagers basis (counting wagers in the month their underlying event resolves), some report on a cash basis (counting wagers in the month they are placed), and some publish both. Where a state publishes both, the settled-wagers figure is used to align with accrual-basis revenue recognition and to ensure year-over-year comparability. Where a state reports only on a cash basis, that figure is used. The same reporting basis is applied consistently within each state's series across the measurement period to ensure internal consistency in YoY comparisons. Aggregate cohort handle may differ modestly from third-party industry trackers that select different reporting bases across states or aggregate on a single uniform basis.

Nebraska Exclusion: Nebraska is excluded from the cohort. Nebraska does not publicly report monthly handle, and the absence of consistent direct-handle data across the measurement period makes inclusion methodologically inconsistent with the rest of the cohort. Nebraska's sportsbetting GGR for the trailing twelve months ending February 2026 represents approximately 0.06% of the U.S. total over the same period; exclusion does not materially affect cohort-level results.

Delaware Inclusion: Delaware is included in the cohort. Delaware launched post-PASPA single-game retail sportsbetting in June 2018. Delaware expanded to mobile in 2024; the 2025 vs. 2024 YoY comparison for Delaware therefore captures channel expansion rather than pure underlying demand growth and is mildly inflated. Delaware represents approximately 0.2% of total cohort handle, and the distortion does not materially affect aggregate results. By 2026, mobile sportsbetting has been operational for the full prior comparison year, and Delaware's 2026 YoY figures reflect underlying demand without channel-expansion distortion.

Arkansas Distortion: Arkansas licensed additional operators (FanDuel and DraftKings) in early 2026, inflating Arkansas's YoY handle growth relative to underlying demand. Arkansas represents approximately 1.1% of cohort handle, and the distortion runs opposite to the cohort-level decline. Cohort-level YoY figures are not materially affected.

Late-Stage Growth State Disclosure: Several states in the cohort launched within the last 2-3 years and remain in late-stage market maturation: Massachusetts (March 2023), Ohio (January 2023), Kentucky (September 2023), Vermont (January 2024), North Carolina (March 2024), and Delaware (mobile launch 2024 — see Delaware Inclusion above). Same-State YoY Growth figures for these states reflect both underlying demand change and ongoing market maturation effects. The substantive finding documented in this analysis — sustained year-over-year decline beginning December 2025 — is consistent across mature states and is not driven by maturation effects in newer states.

H1 2023 Comparison Distortion: Year-over-year growth rates from January 2023 through June 2023 were materially suppressed — and reached -1.5% in February 2023 — by structural distortions in the prior-year baseline rather than by underlying demand changes. Two factors compounded: (1) New York's January 2022 mobile sportsbetting launch redrew interstate wagering patterns, recapturing cross-border demand from neighboring states (particularly New Jersey) and producing an inflated H1 2022 baseline that did not repeat; and (2) aggressive promotional spending in Q1 2022 — including multi-thousand-dollar deposit-match offers from major operators — drove handle figures to artificially elevated levels that were not reproduced in 2023 once promotional cycles normalized. Concurrently, Nevada faced ongoing handle pressure as nationwide mobile expansion reduced its historic share of destination and visitor wagering. The H1 2023 figures therefore reflect comparison against an inflated baseline, not a market demand decline. Excluding the temporary Covid-related sports closure period, no sustained YoY decline pattern occurred in the post-PASPA market prior to December 2025.

Sources: All handle data drawn from state gaming regulatory agency monthly reports, April 2026.

TABLE A-1: MONTHLY HANDLE vs. SPORTS PREDICTION MARKET VOLUME

Cohort States: states with legal sportsbetting that publicly report monthly handle, excluding Nebraska and Missouri. Hold rate column sourced from state gaming regulatory reports compiled by iGaming Capital LLC.

Period	Sportsbetting Handle ($B) [1]	Same-State YoY Δ [2] [3]	Mature Same-State YoY % Δ [3] [4]	Hold [5]	Prediction Volume ($B) [6]	Relationship
2024-11	$16.3	+7.6%	+7.0%	10.3%	—	Pre-disruption baseline
2025-08	$11.3	+25.1%	+25.0%	10.5%	—	Pred vol surges 6x

Period	Sportsbetting Handle ($B) [1]	Same-State YoY Δ [2] [3]	Mature Same-State YoY % Δ [3] [4]	Hold [5]	Prediction Volume ($B) [6]	Relationship
2025-09	$15.5	+10.5%	+9.6%	8.3%	$2.6	Growth decelerating
2025-10	$17.4	+14.6%	+13.3%	9.2%	$4.0	+50% MoM
2025-11	$17.8	+9.4%	+8.3%	11.1%	$5.3	Peak handle; pred vol +33%
2025-12	**$15.5**	**-1.7%**	**-2.6%**	12.0%	**$6.1**	**REVERSAL: first YoY decline**
2026-01	**$15.2**	**-3.8%**	**-5.1%**	10.5%	**$8.8**	**Consecutive decline; pred vol +42%**
2026-02	**$12.3**	**-1.7%**	**-2.5%**	9.6%	**$8.9**	**3rd consecutive decline**
2026-03		**-3.7%**	**-3.6%**	8.6%	**$11.9**	**4th consecutive decline**
2026-04 (preliminary)		**-1.1%**	**-1.1%**	11.2%	**$13.6**	**5th consecutive decline**

(1) Figures above include Cohort States which comprises all states except Nebraska (does not report Handle; Nebraska's trailing twelve-month sportsbetting GGR represents approximately 0.06% of the U.S. total) and Missouri (December 2025 launch — no comparable prior-year period). See Exhibit A — Methodology for additional detail. For context, total reported sportsbetting handle across all active states in February 2026 — the most recent month with complete reporting was $12.34B (excluding Nebraska).

(2) Same-State Growth Rate for March 2026 is calculated from Arkansas, Connecticut, Delaware, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Montana, New Hampshire, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, Washington DC, West Virginia, and Wyoming — the states in the Cohort to have reported March 2026 figures at the time of writing. See Exhibit A — Methodology for additional detail.

(3) April 2026 figures compare each reporting state's first three reporting weeks of April 2026 to the corresponding three reporting weeks of April 2025 on the same settled-wagers basis. Weekly reporting states: New York, Montana, and West Virginia. Reporting in these three states was incomplete as of the close of the comment period; the three-week comparison preserves a like-for-like basis across all three

(4) Mature Same-State Cohort consists only of states that had at least twelve months of operating history prior to January 2024 and therefore possessed a valid January 2024 year-over-year comparison. See Exhibit A— Methodology for detailed explanation.

(5) Hold rates are included to contextualize months where anomalously low prior-year baselines may distort YoY comparisons. See Section I.D.

(6) Prediction market volume includes Kalshi sports contracts, Kalshi RFQ parlay/combination contracts (Exotics), and Polymarket US sports contracts. Source: Ticker-Tracker.com. These figures are a conservative floor — U.S. consumer activity on global prediction platforms accessible via VPN is not captured. April figures last reported on April 30th, at 9 am EST.

TABLE A-2: YEAR-OVER-YEAR SAME-STATE GROWTH RATE SINCE PASPA REPEAL

METHODOLOGY: YoY growth is calculated each month as the weighted aggregate of every cohort state's same-month-prior-year handle comparison. A state contributes to a given month's YoY calculation only when it has a comparable measurement for both the current month and the same calendar month in the prior year. This produces a true same-state YoY comparison at the per-state level; the cohort composition expands over time as additional states reach their second year of operation and become eligible for inclusion. Each individual monthly YoY figure is internally consistent. Aggregate monthly YoY figures presented in the table reflect the weighted growth of all states with valid same-month prior-year data in that month.

Month	YoY % Δ	Month	YoY % Δ	Month	YoY % Δ	Month	YoY % Δ	Month	YoY % Δ	Month	YoY % Δ	Month	YoY % Δ
Jul 2019	+66.7%	Jul 2020	+15.3%	Jul 2021	+151.4%	Jul 2022	+43.5%	Jul 2023	+9.3%	Jul 2024	+25.6%	Jul 2025	+11.0%
Aug 2019	+69.5%	Aug 2020	+121.8%	Aug 2021	+16.3%	Aug 2022	+39.6%	Aug 2023	+15.2%	Aug 2024	+26.8%	Aug 2025	+25.1%
Sep 2019	+31.4%	Sep 2020	+46.4%	Sep 2021	+49.4%	Sep 2022	+34.5%	Sep 2023	+25.6%	Sep 2024	+15.4%	Sep 2025	+10.5%
Oct 2019	+26.8%	Oct 2020	+66.9%	Oct 2021	+76.4%	Oct 2022	+25.1%	Oct 2023	+10.9%	Oct 2024	+13.4%	Oct 2025	+14.6%
Nov 2019	+64.0%	Nov 2020	+37.3%	Nov 2021	+83.2%	Nov 2022	+29.6%	Nov 2023	+26.1%	Nov 2024	+7.6%	Nov 2025	+9.4%
Dec 2019	+62.1%	Dec 2020	+49.7%	Dec 2021	+64.9%	Dec 2022	+28.1%	Dec 2023	+21.1%	Dec 2024	+8.4%	Dec 2025	-1.7%
Jan 2020	+50.5%	Jan 2021	+68.6%	Jan 2022	+104.8%	Jan 2023	+1.8%	Jan 2024	+12.5%	Jan 2025	+9.3%	Jan 2026	-3.8%
Feb 2020	+63.6%	Feb 2021	+40.9%	Feb 2022	+76.0%	Feb 2023	-1.5%	Feb 2024	+17.2%	Feb 2025	+5.8%	Feb 2026	-1.7%
Mar 2020	-55.1%	Mar 2021	+355.5%	Mar 2022	+75.7%	Mar 2023	+1.4%	Mar 2024	+15.2%	Mar 2025	+11.6%	Mar 2026	-3.7%
Apr 2020	-83.9%	Apr 2021	+1347.6%	Apr 2022	+78.4%	Apr 2023	+2.3%	Apr 2024	+22.0%	Apr 2025	+9.0%	Apr 2026	-1.1%
May 2020	-66.1%	May 2021	+677.5%	May 2022	+58.6%	May 2023	+1.9%	May 2024	+26.8%	May 2025	+15.8%		
Jun 2020	-50.3%	Jun 2021	+567.0%	Jun 2022	+32.1%	Jun 2023	+2.0%	Jun 2024	+28.6%	Jun 2025	+9.8%		

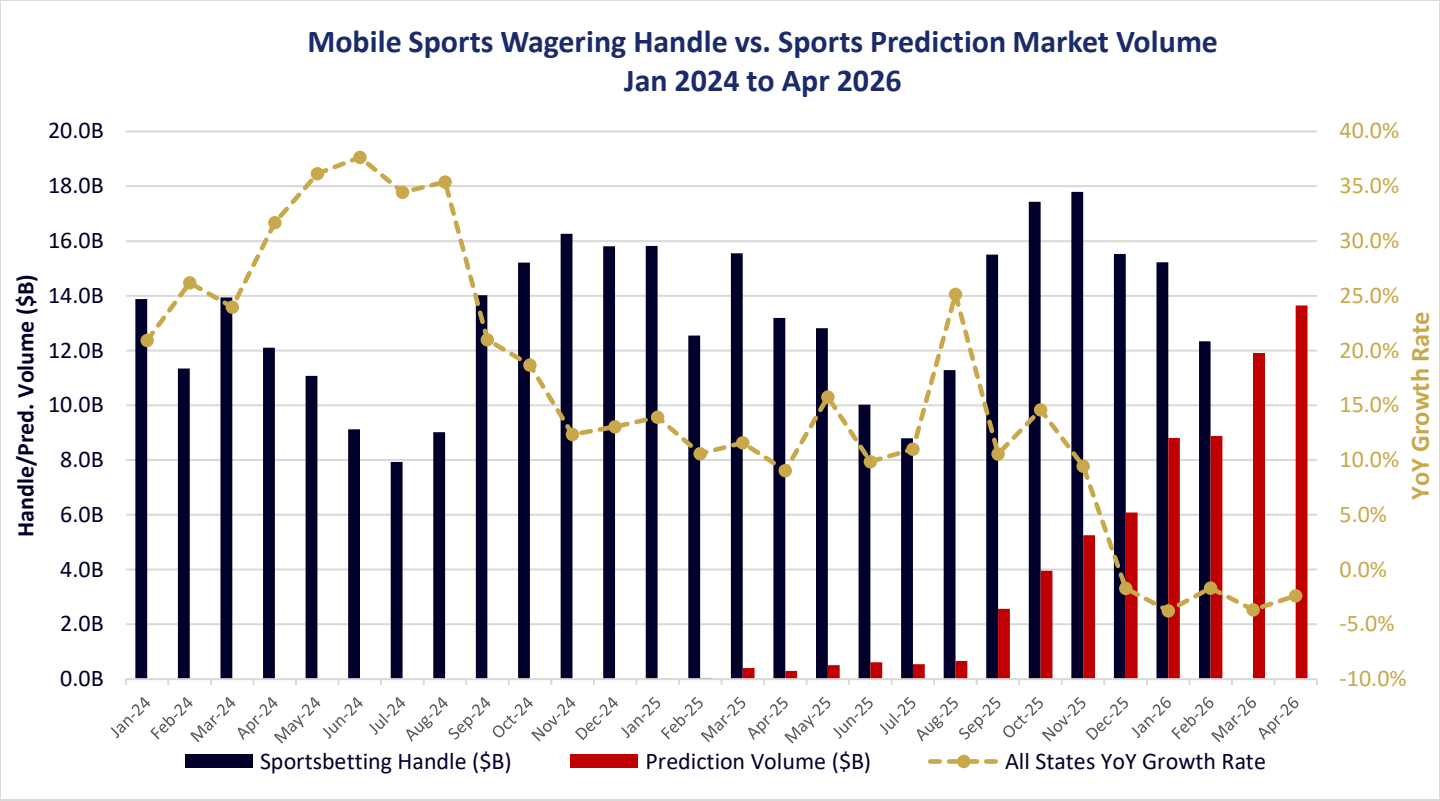
Note: Mar 2026 reflects nearly complete Cohort State reporting at time of publication. Apr 2026 reflects only the three Cohort States with weekly reporting (New York, Montana, West Virginia — approximately 7.1% of Cohort State handle); remaining states publish April figures in late May

TABLE A-3: RECENT YEAR-OVER-YEAR GROWTH RATE WITH COMPARATIVE EXPLANATION

Period	Sportsbetting Handle - Same-State YoY Δ %	"Exotic" (Parlay) Sports Prediction % of Total	Sportsbetting Handle Interpretation	Sports Prediction Volume Context (including Exotic Parlays)
2025-08	+25.1%		Strong sustained growth	Pred vol $0.5-0.7B/month
2025-09	+10.5%	—	Strong sustained growth	Pred vol jumps to $2.6B
2025-10	+14.6%	2.0%	Last positive comparable period	Pred vol jumps to $4.0B
2025-11	+9.4%	4.4%	Last month before reversal	Pred vol $5.3B
2025-12	**-1.7%**	**10.5%**	**INFLECTION. 1ST YoY decline**	Pred vol $6.1B (+22% MoM)
2026-01	**-3.8%**	**14.1%**	**2nd consecutive YoY decline**	Pred vol $8.8B (+31% MoM)
2026-02	**-1.7%**	**14.6%**	**3rd consecutive YoY decline**	Pred vol $8.9B
2026-03	**-3.7%**	**18.5%**	**4th consecutive YoY decline**	Pred vol $11.9B
2026-04 (preliminary)	**-1.1%**	**23.7%**	**5th consecutive YoY decline**	Pred vol $13.6B
3-Mo Rolling	**-2.4%**		**Sustained structural decline**	
4-Mo Rolling	**-3.0%**		**Sustained structural decline**	

CHART A-1: SPORTS WAGERING HANDLE vs. SPORTS PREDICTION MARKET VOLUME

Source: State gaming regulatory reports; Ticker-Tracker.com.



Note: March and April 2026 sportsbetting handle not fully reported by states. Growth rate for those states represents the sub-total of reported states only.

CHART A-2: SPORTSBETTING HANDLE BY MONTH

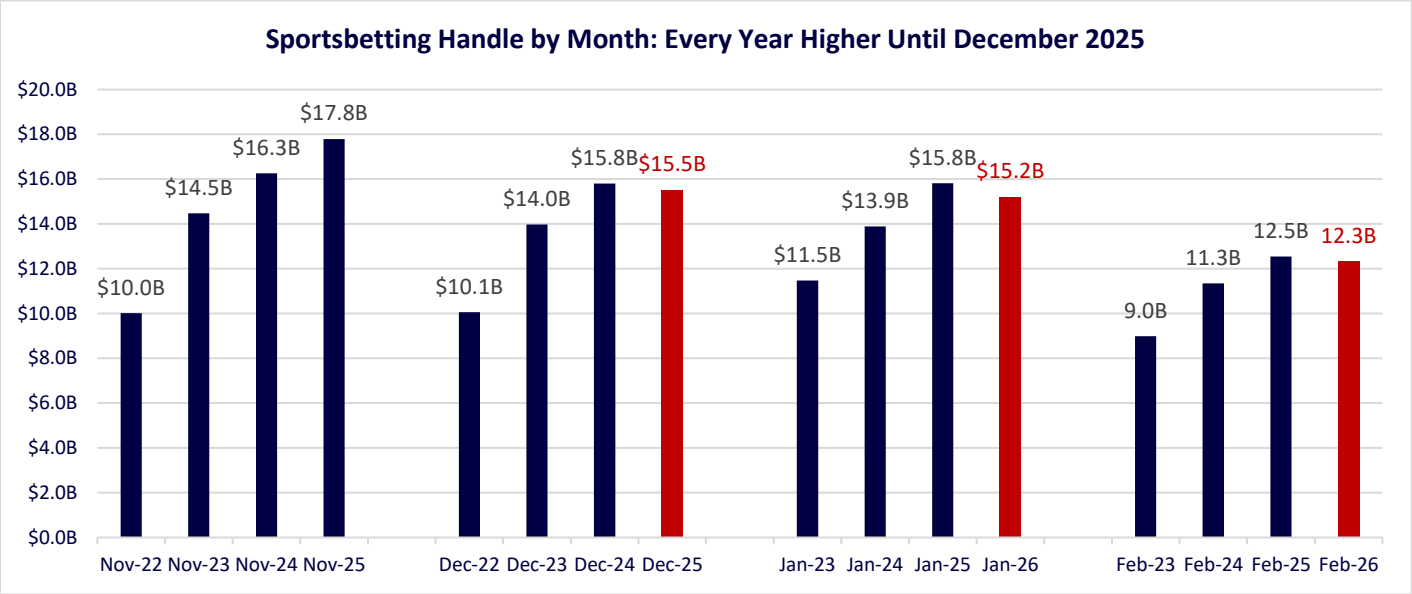


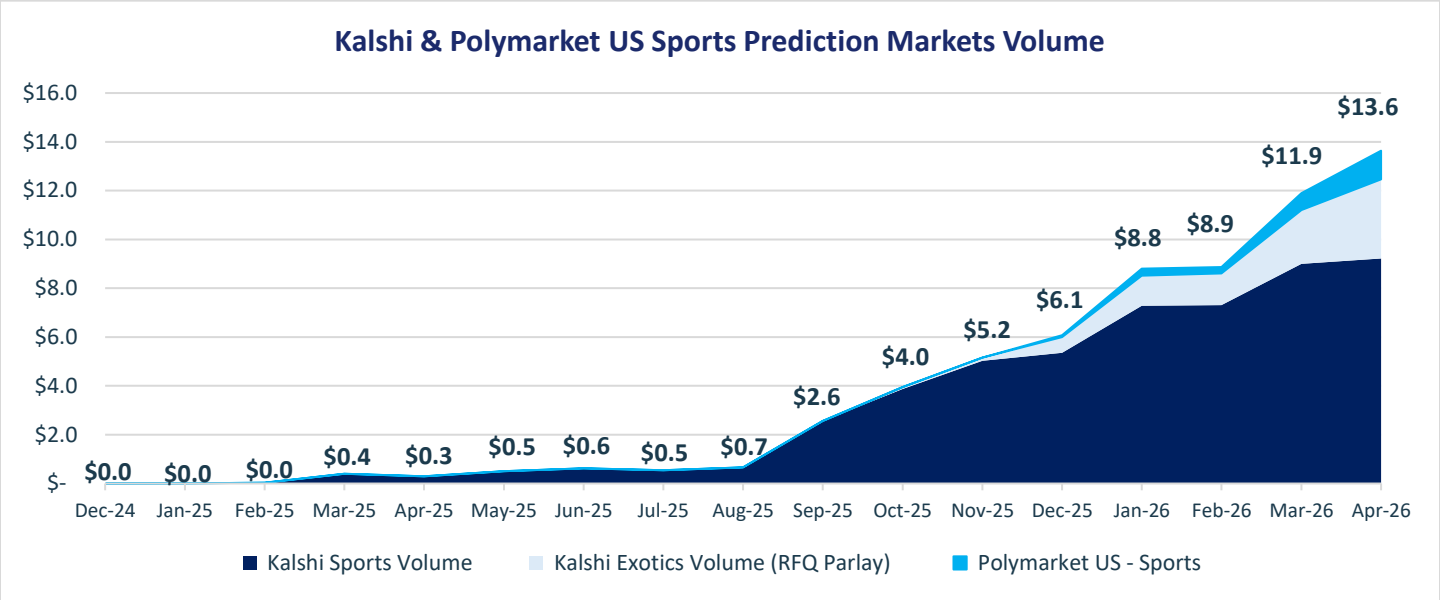
TABLE A-4: SPORTS PREDICTION MARKET VOLUME — COMPONENT BREAKDOWN

Kalshi Sports = single-event sports contracts. Kalshi Exotics = RFQ-priced parlay/combination contracts (same-game and multi-game). Polymarket US = U.S.-regulated sports contracts. Source: Ticker-Tracker.com. Figures do not include U.S. consumer activity on global Polymarket via VPN.

Month	Kalshi Sports ($B)	Kalshi Exotics (RFQ Parlays) ($B)	Polymarket US Sports ($B)	Total Sports Prediction Volume ($B)	Number of Exotic Events Offered	Parlay % of Total Sports Prediction
2025-09	$2.6B	$0.0B	$0.0B	**$2.6B**	5,652	**<.1%**
2025-10	$3.9B	$0.1B	$0.0B	**$4.0B**	82,852	**2.0%**
2025-11	$5.0B	$0.1B	$0.0B	**$5.3B**	**363,087**	**4.4%**
2025-12	$5.4B	**$0.6B**	$0.1B	**$6.1B**	**337,830**	**10.5%**
2026-01	$7.3B	**$1.2B**	$0.3B	**$8.8B**	183,874	**14.1%**
2026-02	$7.3B	**$1.3B**	$0.3B	**$8.9B**	185,874	**14.6%**
2026-03	$9.0B	**$2.2B**	$0.7B	**$11.9B**	199,077	**18.5%**
2026-04 (1)	$9.2B	**$3.2B**	$1.2.B	**$13.6B**	143,949	**23.7%**

(1) Based on actuals through April 30th at 9 am EST.

CHART A-3: KALSHI & POLYMARKET US SPORTS PREDICTION MARKETS VOLUME BY MONTH



Source: Ticker-Tracker.com

TABLE A-5: STATUTORY NEXUS — CEA ss 5c(c)(5)(C)

Evidence matrix mapping handle displacement data to the legal standard for Commission action.

Statutory Nexus: CEA ss 5c(c)(5)(C) Gaming Prohibition		
Legal Standard / Factor	**Evidence from Handle Data**	**Regulatory Implication**
"Gaming" — Functional Equivalence Test	Four consecutive months of YoY handle decline (Dec 2025–Mar 2026) directly correlate with sports prediction market volume growing from almost zero in Dec 2024 to $11.9B in Mar 2026, the comparable comparative period. The volume inversion — regulated handle falling as unregulated prediction volume rises — is the empirical signature of product substitution. Functional substitution is empirically documented. Consumers are treating these products as equivalent — the only plausible explanation for correlated volume inversion.	Functional substitution is empirically demonstrated. Consumers are treating these products as equivalent — the only plausible explanation for correlated volume inversion. The platform's own product roadmaps confirm the equivalence: the deliberate adoption of sportsbook odds formats, parlay structures, and user interface layouts documented in Section III.D is commercial acknowledgment that these products compete for the same consumer and the same dollar.
"Contrary to Public Interest" — Market Harm	Data from state regulatory reports show sportsbetting handle declining -3.0% over a rolling four-month period — a structural reversal from the Normalized Baseline period, during which monthly YoY growth ranged from +5.8% to +121.8% across the entire post-PASPA measurement record through November 2025. Outside the Exception Periods, the post-PASPA record contains no negative YoY months prior to December 2025. The current decline is the entire population of negative-growth observations outside the documented exceptions.	Regulated, tax-generating gaming activity is being displaced by an unregulated functional equivalent. Tax revenue, responsible gaming funding, and compact fee obligations all flow from regulated handle. Structural handle decline directly erodes those public benefits. This is the textbook definition of public interest harm cognizable under § 5c(c)(5)(C).
Direct Substitution — Consumer Behavior	Sportsbetting handle reversal occurs precisely when sports prediction market volume crosses $5B/month in Nov 2025).Parlay/Exotics volume grows from 0% in Aug 2025 to 23.7% of Sports prediction volume by Apr 2026, tracking with sportsbetting handle decline. The addition of Exotics (parlays) was part of a greater strategy of prediction markets to more closely replicate the look and feel of sportsbooks. Complete April 2026 weekly reporting	The Commission cannot dismiss this as coincidence. Parlay growth trajectory aligns with the established sportsbook bettor substitution pattern, not new-user acquisition.

Statutory Nexus: CEA ss 5c(c)(5)(C) Gaming Prohibition		
Legal Standard / Factor	**Evidence from Handle Data**	**Regulatory Implication**
	from three Cohort States shows aggregate handle down approximately -1.1% YoY, extending the substitution pattern into a fifth consecutive month.	
Regulatory Arbitrage — Compact Integrity	Licensed sportsbook operators posted YoY handle declines in Dec 2025–Mar 2026 while bearing the full cost of regulatory compliance: 21+ age verification, responsible gaming programs, state tax obligations averaging 10–51% of GGR, and tribal compact revenue sharing. Prediction market operators bear none of these costs on economically identical transactions. Licensed sportsbook operators who subsequently launched prediction market products structured those products to operate with materially weaker responsible gaming controls than their licensed sportsbook operations — including deposit limit asymmetries and single-tap access across the regulatory boundary — as documented in Exhibit C of this submission.	The burden-benefit disparity — identical product, asymmetric regulatory cost — is itself a public interest harm. By exempting prediction markets from the consumer protection, tax, and licensing obligations that govern licensed sportsbooks, the Commission is effectively subsidizing unregulated competition at the expense of the regulated market it relies on to fund those very protections.
Enforcement Capacity Gap	Licensed sportsbook operators are required by state compact and licensing conditions to: (1) integrate with state self-exclusion databases; (2) enforce 21+ age verification; (3) fund state problem gambling programs; (4) comply with state advertising standards; and (5) enforce mandatory deposit limits and responsible gaming controls. No equivalent obligations attach to CFTC-registered prediction market operators. The consumer protection burden is borne exclusively by the regulated competitor.	The Commission cannot responsibly regulate this market segment without the specialized consumer protection infrastructure that state and tribal gaming regulators have built over decades. Absent that infrastructure, CFTC authorization of sports prediction markets creates an unenforceable regulatory gap that exposes consumers to harms the existing licensed framework was specifically designed to prevent.

Analysis prepared by iGaming Capital LLC. April 2026. For submission to CFTC ANPRM Docket RIN 3038-AF65. Cohort States: all states post-PASPA legal sportsbetting states excluding Nebraska and Missouri.

EXHIBIT B

Predatory Marketing and Consumer Harm: Documented Commercial Practices of Prediction Market Platforms

CFTC ANPRM: Prediction Markets — RIN 3038-AF65

Purpose

This exhibit provides sourced documentation supporting the commercial observations in Section II.B of the accompanying submission regarding the marketing and consumer protection practices of prediction market platforms. Each source is cited by number throughout the exhibit and includes the full URL, publication date, and a summary of the relevant finding.

The sources are drawn from operator disclosures, regulatory testimony, published investigative reporting, and public health documentation. They are presented as commercial evidence for the Commission's record. The sourcing is not exhaustive — it represents a sample of the publicly available documentation. These practices are not characterized as legal violations; that determination is for the Commission and for counsel.

The Regulatory Contrast

Each of the marketing practices documented below would be prohibited or subject to immediate regulatory action if conducted by a licensed sportsbook operator. The table consolidates the Regulatory Contrast and Summary of Documented Violations into a single reference, preserving both the licensed-industry comparison (Column 2) and the operator-level accountability (Column 4). Source numbers reference Exhibit B.

Practice	Licensed Sportsbook	Prediction Market Conduct	Operator / Source
"Investment" / "money hack" / "side hustle" framing; false financial return claims	Prohibited — misleading advertising rules in all licensed states	**Documented in TikTok ad campaigns**	**Kalshi [5, 6, 7]**
Rent / financial hardship framing in ad creative	Prohibited — exploitative framing rules in all licensed states	**Documented in class action exhibit: "I was about to be unable to pay my rent, but I got two years of rent through Kalshi's predictions"**	**Kalshi [5, 6]**
Targeting 18–20-year-olds with sports wagering content	Prohibited — 21+ age minimum in licensed states	**Actively targeted — 18+ minimum, college campus programs, undisclosed TikTok campaigns**	**Kalshi / Polymarket [1, 2, 3, 5]**
Recruiting a minor as paid brand affiliate	Categorically prohibited — would trigger immediate regulatory action and license review in any licensed state	**Kalshi signed 15-year-old streamer vert1d; terminated only after legal team intervened; Polymarket simultaneously attempted the same recruitment**	**Kalshi / Polymarket [2]**
Paying influencers without disclosure	FTC disclosure required; state ad rules require responsible gaming messaging	**Undisclosed paid TikTok sponsorships accumulating 50M+ views; supervisor instruction to target students who**	**Kalshi / Polymarket [2, 8]**

Practice	Licensed Sportsbook	Prediction Market Conduct	Operator / Source
		"spend money recklessly"; X forced removal of affiliate badge program	
College campus ambassador recruitment programs	Prohibited in virtually all state gaming advertising codes	**"Kalshi U" program at 10 universities — deleted after public backlash, not regulatory action**	**Kalshi [1, 3]**
Student trades on own institution's team	Prohibited — integrity provisions in every licensed state	**University of Tennessee student broadcaster terminated for trading on own team via Kalshi**	**Kalshi [4]**
No responsible gaming disclosure in influencer content	Mandatory in all licensed jurisdictions	**Absent from all documented Kalshi TikTok content; no helpline reference, no age warning**	**Kalshi / Polymarket [5, 6, 7, 8]**
Paying for "epic parties" in exchange for signups	Prohibited under state advertising standards	**Polymarket paid Columbia fraternity $30,510; seeded UChicago club with $20,000**	**Polymarket [2]**
Dedicated influencer accounts targeting young demographics with no RG disclosure	Prohibited — mandatory responsible gaming messaging in all advertising	**@Kalshigirls / @Polybaddies — pop culture content, no disclosures, no age-gating**	**Kalshi / Polymarket [6]**
Revenue-share affiliate network without licensing	Requires state gaming license with extensive financial disclosures, background investigation, and ongoing renewal obligations	**Kalshi X affiliate badge program operated identical revenue-share structure with no licensing, no background review, no suitability determination**	**Kalshi / Polymarket [8]**
Public health response to documented gambling harm	State helpline funding mandates in nearly every licensed jurisdiction; operator contributions via tax allocation or direct contribution. Pennsylvania 18–24 helpline calls hit all-time high; PA launched funded campaign; Colorado received $6.37M in grant proposals naming prediction markets	**No equivalent mandate, mechanism, or funding. CFTC withdrew its own proposed rule and filed amicus briefs to block state enforcement**	**CFTC [9, 10]**

This exhibit does not purport to be an exhaustive catalog of prediction market influencer marketing practices. It documents a representative sample of publicly available evidence. CFTC, as the regulator with exclusive jurisdiction over these platforms, has access to a far more complete picture of operator marketing activities through its supervisory authority. This exhibit is submitted to place a factual baseline on the record.

SECTION B.1: KALSHI CREATOR PARTNERSHIP PROGRAM

B.1.1 Kalshi's Own Disclosures: Active Creator Partnership Infrastructure

The following evidence comes directly from Kalshi's own public statements and job postings. It establishes that Kalshi has built and operated a formal, compensated creator partnership program targeting Instagram and TikTok audiences.

1. Kalshi LinkedIn — Creator Relations Job Posting

Kalshi / LinkedIn • January 2026

https://www.linkedin.com/jobs/view/creator-relations-at-kalshi-4371087960/

Kalshi's own LinkedIn job posting for a "Creator Relations" role — active as of April 2026 — describes the position as being "about turning internet culture into growth by building authentic, repeatable creator partnerships that perform." The role is tasked with owning Instagram and TikTok creator partnerships "end-to-end, from outreach and negotiation through launch, iteration, and scale" across "sports, culture, finance, entertainment, and internet-native verticals." A key responsibility listed in the posting is to "ensure creator content aligns with brand voice while still feeling native to each platform." In influencer marketing, 'native' content is the industry term for advertising engineered to deceive the viewer by appearing as organic content. The documented absence of disclosure is not a compliance oversight; it is a design specification embedded in Kalshi's own job description to maximize growth through deceptive acquisition. This is an admission of intent, documented in the operator's own public disclosures.

> *"This role is about turning internet culture into growth by building authentic, repeatable creator partnerships that perform." — Kalshi "Creator Relations" job posting, LinkedIn, active April 2026."* — Kalshi LinkedIn job posting, April 2026

B.1.2 Underage Outreach and Insider Trading: The Wall Street Journal Investigation

2. Kalshi and Polymarket Court Young Users on College Campuses

The Wall Street Journal• March 5, 2026

https://www.wsj.com/business/media/prediction-markets-campus-e57cd19f (paywalled)

The Wall Street Journal investigation is the primary source for the vert1d incident, and the broader campus acquisition strategy documented in this section. Key findings:

(1) In September 2025, Kalshi signed a 15-year-old streamer ("vert1d") as a paid affiliate with no apparent age-verification process. The affiliation was terminated one week later — not following an ethics review, but after legal intervention. The termination message, documented by the Wall Street Journal, reads: "Yo brother, legal team confirmed that we can't work with minors rn. Kinda sad tbh." Internal messages reviewed by the Wall Street Journal show a Polymarket employee separately expressed interest in recruiting the same minor to promote that platform.

(2) Kalshi sponsored Jay Liang, 19, University of Waterloo, whose undisclosed TikTok accumulated 50 million views. Liang stated a Kalshi supervisor told him to target students because they "spend money recklessly." Kalshi denies this.

(3) Norton Yang, 19, NYU sophomore, paid by Kalshi for TikTok content: "It's more relatable, advertising-wise, when someone your age or in your situation talks about something."

(4) Kalshi sponsored the Duke Poker Club prize pool and a Yale hedge fund competition. Polymarket paid a Columbia fraternity $30,510 for user signups — funds used for an "epic end-of-semester party" — and seeded a University of Chicago prediction markets club with $20,000.

(5) University of Miami fraternity brothers used apparent insider knowledge about Jeff Bezos' Super Bowl attendance plans to trade on Kalshi, driving odds from 70% to under 30%. The tip spread from a fraternity that counts Bezos' stepson as a member. One brother told the Journal: "We know this shouldn't be allowed. It feels like someone should stop you." Kalshi confirmed it is investigating insider trading.

(6) A January 2026 survey found Gen Z and millennials more aware of prediction markets than older demographics — the opposite of traditional sportsbetting.

> **REGULATORY COMPARISON: t***he vert1d incident does not stand alone. It is one episode in a documented pattern in which the limiting principle on Kalshi's youth acquisition strategy was legal exposure, not ethical judgment or concern for consumer welfare. Kalshi initiated a partnership with a 15-year-old without any age compliance screening. It terminated that partnership only after its legal team intervened — and expressed regret that it had to. Simultaneously, its primary competitor was attempting to recruit the same minor. No licensed sportsbook in any U.S. jurisdiction operates an influencer program without age verification. The 21+ minimum makes initiating any promotional relationship with a minor categorically impermissible. Prediction market platforms face no equivalent obligation — and the documented conduct suggests they would not observe it voluntarily.*

Undisclosed paid promotions violate FTC endorsement guidelines and state advertising disclosure requirements applicable to licensed operators. No licensed sportsbook operates fraternity referral programs, sponsors campus prize pools, or pays student influencers without disclosure. The Duke and Yale sponsorships are not informal outreach — they are deliberate placements within institutional university finance culture designed to normalize prediction market trading among students who self-identify as financially sophisticated.

The Miami insider trading incident directly connects the campus acquisition strategy to the market integrity problem: the 18+ age floor that made these students accessible to Kalshi is the same feature that made this integrity failure possible. A platform actively marketing to the same students whose universities play in the markets it offers accepted trades from participants with potential access to insider information, without sufficient controls to prevent it.

"We know this shouldn't be allowed. It feels like someone should stop you."— University of Miami fraternity member, Wall Street Journal, March 2026

B.1.3 College Campus Ambassador Program

3. Sports Betting Site Kalshi Seeks 'Ambassadors' on College Campuses (now deleted)

GamblingHarm.org • September 22, 2025 (with editor's note confirming deletion)

https://gamblingharm.org/kalshi-college-ambassadors-program/

https://readwrite.com/kalshi-backtracks-on-student-ambassador-program-after-backlash/

GamblingHarm.org first reported on the Kalshi student ambassador program and added an editor's note confirming deletion: "Following publication of this article, Kalshi deleted its social media post and took down a web page referenced in this article." The original post announced "Kalshi U" clubs at Yale, Harvard, Berkeley, Penn, Cornell, UVA, Michigan, Texas, Stanford, and NYU, stating: "College campuses are the best place to spark new financial movements and will play a key role in bringing the next 100M users to prediction markets." The sign-up form asked applicants to provide links to their social media profiles.

ReadWrite independently confirmed the deletion. Additional detail: the sign-up page at kalshi.com/ambassadors was blanked but remained indexed on Google, and a Kalshi employee post reading "Please reach out if you are a college student interested in joining" remained live on X after the main deletion — indicating the deletion was reactive and incomplete rather than a clean policy reversal.

REGULATORY COMPARISON: No licensed sportsbook in any U.S. jurisdiction operates a campus ambassador program. The 21+ age minimum makes campus recruitment categorically impermissible. The deletion was triggered by public backlash, not regulatory action — suggesting it was reputational rather than compliance-driven.

4. Tennessee Student Broadcaster Fired for Trading on His own University's Team on Kalshi

SBC Americas • February 10, 2026

https://sbcamericas.com/2026/02/10/kalshi-sports-contracts-fired-tennessee/

This incident serves as a primary case study of the causal link between predatory campus marketing and institutional integrity failure. A University of Tennessee student broadcaster, targeted by the acquisition strategies documented in this exhibit, utilized Kalshi to trade on his own institution's football team. This is not an isolated error in judgment; it is the inevitable commercial outcome of a platform that aggressively recruits student 'ambassadors' while operating without the mandatory integrity controls that prevent licensed sportsbooks from accepting wagers from individuals with inside access to an event.

REGULATORY COMPARISON: A licensed sportsbook is prohibited from accepting wagers from individuals with insider access to sporting events under the integrity provisions of every licensed state. Kalshi accepted these trades during the same period it was actively attempting to spark 'financial movements' on the very same campuses. By removing the 21+ age barrier and the standard 'insider' wagering prohibitions found in state gaming law, the platform effectively engineered a market where students are incentivized to exploit their proximity to collegiate sports for financial gain.

SECTION B.2: DOCUMENTED TIKTOK ADVERTISING PRACTICES

B.2.1 Media Matters TikTok Documentation

5. Kalshi is aggressively advertising on TikTok, seemingly targeting young people while promising a "money hack"

Media Matters for America • March / April 2026 (updated March 30, 2026)

https://www.mediamatters.org/tiktok/kalshi-aggressively-advertising-tiktok-seemingly-targeting-young-people-while-promising

Media Matters manually retrieved and documented Kalshi advertisements on TikTok. Key documented findings:

1. Advertisements frame the platform as a 'money hack' and 'side hustle'—language specifically designed to bypass gambling perceptions and recharacterize wagering as a low-risk financial strategy Claims such as 'I literally made $761 and 7 cents last night doing literally nothing' constitute false financial return claims that violate the responsible gaming advertising standards of every U.S. licensed sports wagering jurisdiction.
2. Advertisements prominently feature and target young people. Dr. Timothy Fong, clinical professor of psychiatry and co-director of the UCLA Gambling Studies Program, stated: "We made a pact in this world where we said gambling is a 21-and-over activity, and yet these [ads] are clearly geared toward under-21 or right at that 21 level."
3. The ads contain no responsible gaming disclosures. A finding confirmed by Cait Huble, Director of Public Affairs at the National Council on Problem Gambling, who reviewed the documented advertisements and stated: "If this was a regulated gambling operator, this would never pass a regulator's test."
4. Dr. Fong described the FOMO-exploitation tactic: "The implication is that if you don't bet on these things, you are missing out… there's kind of a Joe Camel kind of thing."
5. Following publication and only after public backlash, Kalshi stated it no longer works with any of the influencers featured — a reactive remediation, not a compliance-driven one.
6. The U.S. imposes no advertising transparency mandates on TikTok, meaning the documented advertisements represent only the portion of Kalshi's campaign that researchers were able to manually retrieve. The full scope of paid promotion activity targeting young adults on that platform is not publicly auditable.

> *"If this was a regulated gambling operator, this would never pass a regulator's test. The way they are positioning the expectation that you're going to win, that there's no clear explanation of the odds — this is functionally gambling." — Cait Huble, Director of Public Affairs, National Council on Problem Gambling, quoted in Media Matters, 2026*

NOTE ON ADVERTISING COMPLIANCE: Media Matters' documentation confirms the absence of any responsible gaming disclosures, problem gambling helpline references, or age-verification prompts in the documented Kalshi TikTok content. In every U.S. state with licensed sports wagering, this content would require a minimum a responsible gaming disclosure and a problem gambling helpline reference. Licensed operators are contractually required to include these disclosures as a condition of their advertising agreements.

B.2.2 Financial Hardship Framing and Unprotected Demographic Acquisition

6. Kalshi and Polymarket: Financial Hardship Advertising and Influencer Campaigns Targeting Underserved Demographics

The Independent / Yahoo News • March 2026

https://www.yahoo.com/news/articles/sports-betting-sites-already-hooked-114403494.html

Documents the use of financial hardship and vulnerability framing in prediction market advertising — content that would be prohibited under responsible gaming advertising standards in any licensed sports wagering jurisdiction. Key findings: (1) By promoting narratives like 'I was about to be unable to pay my rent, but I got two years of rent through Kalshi's predictions,' these

platforms are engaging in the predatory exploitation of financial distress. This framing is a documented driver of problem gambling behavior and is strictly prohibited under the responsible gaming standards of every major licensed jurisdiction because it targets the most vulnerable individuals in the market. (2) Kalshi and Polymarket launched dedicated influencer accounts on X (Kalshigirls and @Polybaddies) promoting the platforms to younger audiences through pop culture content with no responsible gaming disclosures of any kind. (3) These campaigns reached demographics that licensed sportsbooks — constrained by 21+ age requirements and advertising standards — have been unable to reach. The commercial result is that a population with no prior exposure to sports wagering is being acquired through marketing methods that licensed operators are prohibited from using, with none of the consumer protection infrastructure that licensed operators are required to maintain.

> *"I was about to be unable to pay my rent, but I got two years of rent through Kalshi's predictions. It's amazing!"* — Kalshi TikTok advertisement, now exhibit in class action lawsuit, documented in The Independent, March 2026

REGULATORY COMPARISON: Exploiting financial hardship to promote gambling is explicitly prohibited under the responsible gaming advertising standards of every major licensed sports wagering jurisdiction — regardless of the demographic being targeted. A licensed sportsbook running this advertisement would face immediate regulatory review and probable license action. The prohibition exists because financial distress is a known vulnerability factor for problem gambling. Prediction market platforms face no equivalent prohibition.

B.2.3 Misleading Affiliate Advertisements Targeting Young Women

7. Facebook Affiliate Account: Cross-Platform Acquisition Content

Facebook / "Real World Predictions" account • January 13, 2026

https://www.facebook.com/reel/884058770782214

A Facebook post from the account "Real World Predictions" — a purpose-built affiliate content account with professional branding — promotes Kalshi using the lunch break / small dollar framing with no responsible gaming disclosure of any kind. The post image shows a young woman in college athletic wear (St. George Tennis sweatshirt) with the caption: "me explaining to my coworker that i made $52 during our lunch break predicting if it would snow (they downloaded Kalshi immediately)." The post text reads: "Kalshi is the first regulated exchange where people trade on how real-world events unfold. From sports and politics to weather, Rotten Tomato scores, rate cuts, and culture, Kalshi lets you trade on the outcomes people are already talking about, all legal in all 50 states." The post is marked public (no age-gating). The only compliance-adjacent language in the entire post is the legality reassurance "all legal in all 50 states" — there is no 1-800-GAMBLER reference, no age warning, and no responsible gaming disclosure of any kind.

This post extends the platform amplification evidence beyond TikTok to Facebook. The "Real World Predictions" account name and professional branding are consistent with a compensated affiliate arrangement. The demographic targeting — college athletic wear, young woman, lunch break framing, small dollar amount - is identical to the TikTok content documented in Source 4. The "all legal in all 50 states" framing is a direct consumer reassurance that substitutes a legality claim for the responsible gaming disclosure that a licensed operator would be required to include.



Source 7: "Real World Predictions" Facebook post promoting Kalshi, January 13, 2026. Screenshot captured April 2026.

SECTION B.3: AFFILIATE PROGRAM AND X POLICY ENFORCEMENT

B.3.1 Kalshi's X Affiliate Badge Program (and Removal)

8. Kalshi removes X affiliate badges after policy shift tightens promotion rules

The Block • February 24, 2026

https://www.theblock.co/post/390983/kalshi-removes-x-affiliate-badges-after-policy-shift-tightens-promotion-rules

Documents that Kalshi operated a formal affiliate badge program on X (Twitter), in which influencers and affiliates who partnered with Kalshi under revenue-sharing arrangements displayed visible platform badges. X's Head of Product, Nikita Bier, directly warned accounts posting undisclosed Kalshi promotions: "Add a follow-up reply disclosing that this is a paid promotion for Kalshi. Otherwise, this will result in a suspension." Kalshi ultimately removed all affiliate badges after X updated its paid partnerships policy restricting affiliate promotions tied to gambling-related content. Kalshi stated: "People loved the badges, and it was a fun way to engage the community, but it became too difficult to police, and people confused badged accounts with Kalshi-endorsed messages." Polymarket's equivalent affiliate badges remained in place at time of reporting. The Block article confirms the Kalshi badge program functioned as a paid, revenue-sharing influencer network with insufficient disclosure controls.

> *"Add a follow-up reply disclosing that this is a paid promotion for Kalshi. Otherwise, this will result in a suspension."* — Nikita Bier, X Head of Product, warning to undisclosed Kalshi affiliate accounts, February 2026

REGULATORY COMPARISON: Performance marketers receiving revenue-share compensation for referring customers to a licensed sportsbook operator are required to obtain a state-issued gaming license. New Jersey's Ancillary Casino Service Industry Enterprise license requires five years of personal tax returns, five years of complete financial account records, personal background investigations, and ongoing disclosure obligations equivalent to the operator itself. Kalshi's affiliate program operated on the identical revenue-share compensation structure with no licensing requirement, no background review, no financial disclosure, and no suitability determination of any kind. A social media platform badge is not a license.

SECTION B.4: DOCUMENTED CONSUMER HARM AND THE CFTC'S FAILURE TO ACT

B.4.1 Documented: Harm, Cause & the State Response — No Federal Response

9. Pennsylvania: Helpline Surge Directly Attributed to Prediction Markets; State Regulators Act; CFTC Does Not

Council on Compulsive Gambling of Pennsylvania / Pennsylvania Gaming Control Board / Casino.org • December 2025 – March 2026

https://www.playpennsylvania.com/news/pa-gaming-regulators-share-prediction-market-concerns-with-lawmakers/

https://www.playpennsylvania.com/news/pa-gaming-regulators-launch-campaign-warning-about-underage-gambling/

https://www.casino.org/news/pennsylvania-launches-campaign-combat-underage-gambling/

In December 2025, Josh Ercole, the Executive Director at the National Council on Compulsive Gambling of Pennsylvania, testified to Pennsylvania House Gaming Oversight Committee "November [2025] is the first month, at the [1 800-GAMBLER] HELPLINE, that our highest call demographic was 18- to 24-year-olds. Traditionally, we never saw numbers that high from that group". Previously the 30 – to 40-year-old segment accounted for the largest number of calls. He directly attributed the spike to prediction markets, stating they "expose a highly vulnerable demographic to an activity that has inherent risks associated with it." Pennsylvania's total helpline calls through November 2025 exceeded 2,700 — more than double the 2020 total and an all-time record. The demographic shift to 18-to-24-year-olds as the dominant caller cohort coincides directly with the period in October

and November 2025 when prediction market sports trading volume surged — from $3.95 billion in October to $5.26 billion in November — and the influencer marketing campaigns documented in Sections B.1 through B.3 of this exhibit reached peak scale.

Steve Cook, Chief Counsel of the Pennsylvania Gaming Control Board, testified at the same hearing that prediction markets have created "a disastrous gap in our safety net." His exact words: "A resident who has legally acknowledged a gambling problem and joined our exclusion list can simply use an app like Kalshi to trade on the very same sports outcome they are banned from betting on in the commonwealth." Pennsylvania's self-exclusion program had 7,400 enrollment requests in 2024 alone — a 34.5% year-over-year increase — representing thousands of individuals who have formally acknowledged a gambling problem and sought state protection. Every one of them can access Kalshi today. The PGCB subsequently launched a funded statewide campaign "What's Really at Stake?" in March 2026 specifically citing prediction markets as a driver of underage gambling harm. PGCB Executive Director Kevin O'Toole described the result as "a dual-track system" — one track highly regulated, the other "the wild west."

CFTC CONDUCT: The Commission withdrew its June 2024 proposed rulemaking that would have prohibited sports event contracts. It then filed an amicus brief in federal court asserting exclusive federal jurisdiction over prediction market platforms — the same platforms Steve Cook identified as creating "a disastrous gap in our safety net", while imposing no consumer protection requirements on those platforms. The Commission has claimed exclusive jurisdiction over platforms that produce gambling harm while possessing no mandate, no expertise, no consumer protection infrastructure, and no regulatory incentive to address it.

10. Colorado: Prediction Markets Appear in the Responsible Gaming Grant Record for the First Time in 2026 — The CFTC Has No Equivalent Mechanism

Colorado Limited Gaming Control Commission Agenda, Item VIII: Responsible Gaming Grant Applications for FY26 • February 19, 2026

https://sbg.colorado.gov/news-article/2026-responsible-gaming-grants-awarded-totaling-37-million-dollars
https://files.constantcontact.com/9bc9aaa4801/dd90b14f-81bf-40c6-82d7-77dd78a96adc.pdf

In 2026 — the first year prediction markets became commercially significant at scale — the Colorado Limited Gaming Control Commission received 17 responsible gaming grant proposals totaling $6,373,463, the highest volume and dollar amount in the program's four-year history. The surge in proposed funding reflects a responsible gaming community responding to documented harm at scale. Prediction markets, which compete directly with licensed operators for the same customers, contribute nothing to this fund. The CFTC has no equivalent mechanism

Since 2023, the Colorado Limited Gaming Control Commission has awarded more than $10 million in responsible gaming grants through this annual program — funded entirely by sportsbetting tax revenue from state-licensed operators. It is an active, mature funding mechanism. Prediction markets, which compete directly with those licensed operators for the same customers, contribute nothing to it.

CFTC CONDUCT: Colorado's responsible gaming grant program exists because Colorado's regulatory framework was built around the recognition that gambling products cause harm and that regulators bear responsibility for funding responses to it. The program is funded by the operators the state regulates. The CFTC has no responsible gaming grant program. It has no public health funding mechanism. It has no consumer protection mandate requiring it to fund research or intervention for harm caused by the platforms it regulates. The Commission has claimed exclusive jurisdiction over prediction market platforms while the practitioners responsible for addressing gambling harm in Colorado are submitting grant proposals for the first time trying to figure out how to measure and respond to the damage those platforms are causing. The frameworks do not yet exist because the harm is that new. The CFTC has produced nothing.

EXHIBIT C

Account Integration and Consumer Protection Asymmetry

CFTC ANPRM: Prediction Markets — RIN 3038-AF65

Purpose and Methodology

This exhibit documents the app user experience of three licensed sportsbook operators who also operate CFTC-registered prediction market platforms: Fanatics (Fanatics Sportsbook / Fanatics Markets), DraftKings (DraftKings Sportsbook / DraftKings Predictions), and FanDuel (FanDuel Sportsbook / FanDuel Predicts). The documents focus on account integration across state regulated sportsbook accounts and proposed federally regulated CFTC-registered prediction market accounts, including wallet architecture, responsible gaming tools and geolocation checks.

The observations in this exhibit were made through direct use of each operator's consumer-facing mobile applications in April 2026. Screenshots were captured during active account sessions held under a single registered user account at each operator. The observations are factual and reproducible. They are presented as commercial evidence for the Commission's record, not as legal conclusions.

The exhibit is organized as follows: Table C-1 provides a summary comparison across all three operators. Sections C.1 through C.3 provide operator-specific findings with reference to the screenshot evidence.

Table C-1: Three-Operator Summary Comparison

Red text indicates findings of reduced consumer protection on the prediction market product relative to the operator's own sportsbook standard.

	Fanatics	DraftKings	FanDuel
Sportsbook RG tools	8+	10+	11+
Prediction market RG tools	4	3	3
Wager limit on sportsbook	Yes	Yes	Yes
Wager limit on prediction	No	No	No
Deposit limit crosses to prediction	Yes	Yes (disclosed)	Yes (disclosed)
Geo-message visible — sportsbook	Yes	Yes	Yes
Geo-message visible — prediction	No	No	No
Cross-balance visibility	Yes — unified	Yes — linked	Yes — non-playable
RG section name — sportsbook	Responsible Gaming	Responsible Gaming	Responsible Gaming
RG section name — prediction	Risk Management	Responsible Trading	Trade Responsibly / Consumer Protection

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Account settings menu showing both "Responsible Gaming" (sportsbook) and "Responsible Trading" (predictions) as separate labeled sections within the same account.

SECTION C.1: FANATICS

C.1.1 Products Reviewed

Sportsbook: Fanatics Sportsbook — state-regulated mobile sports wagering platform

Prediction market: Fanatics Markets — CFTC-registered prediction market platform

C.1.2 Account Architecture

Single account: Both products operate under a single Fanatics account with unified identity verification. The same credentials and account balance ($48.00 documented) are accessible from both applications.

Re-authentication: Re-login required when toggling between the standalone Fanatics Markets app and the Fanatics Sportsbook app.

Wallet: Unified wallet — identical balance displayed across both product account screens. Funds accessible to both products without transfer.

Geolocation — sportsbook: Location error displayed; sportsbook functionality blocked when location cannot be verified in a licensed state.

Geolocation — prediction: No equivalent geolocation enforcement observed. Product accessible despite sportsbook location error.

Redirect behavior: When sportsbook is geo-detects player outside a licensed state, app displays: "Sportsbook isn't live in your state. But we got you → Fanatics Markets" — actively routing blocked users to the prediction product.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Geolocation error and "Sportsbook isn't live in your state. But we got you →redirect banner. Sportsbook blocked, prediction product accessible.

C.1.3 Responsible Gaming Lobby Comparative

RG Tool	Fanatics	
	Sportsbook	Prediction
RG Section Naming	**Responsible Gaming**	**Responsible Risk**
Deposit Limits	Daily, Weekly, Monthly	Weekly, Monthly
Wager Limits	Daily, Weekly, Monthly	No
Loss Limits	No	No
Single Max Wager Limit	Yes	No
Time Limit	Daily	Daily
Reality Check	15, 30 min	No
Alerts	No	No
Timeout/Cool-Off	3 - 365 days	3 - 365 days
Self -Exclusion	1, 5 Years or Life	1, 5 Years or Life
Restrict Deposit Method	Yes	No
RG Section in FAQ	Yes	Yes
Other Tools	Birches Health	Birches Health
Total RG Tools	**8 (plus limited resources)**	**4 (plus limited resources)**

Test: Compared Responsible Gaming Lobby of both Fanatics Sportsbook and Fanatics Predicts

Result: Fanatics Sportsbook offered 8 separate responsible gaming tools plus some additional responsible gaming resources. Deposit and Wager limits offered a choice daily, weekly and monthly limits. Fanatics Predicts offered only 4 responsible gaming tools and only offered weekly and monthly limits.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Fanatics Markets "Responsible Risk Management" showing 3 tools: User Limits (deposit and session only — no wager limit), Timeout, Self-exclusion. Note: "Exclude yourself from making trades."

C.1.4 Deposit Limit Propagation

Test: $5,000 daily deposit limit set in Fanatics Markets prediction app.

Result: Limit propagated automatically to Fanatics Sportsbook account. Confirmed by sportsbook account screen showing "Deposit · Daily limit $0.00 of $5,000.00."

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Screen showing $5,000 daily deposit limit active (set from prediction app; propagated to sportsbook).

Direction: Prediction market → Sportsbook (limit set in prediction, appeared in sportsbook).

C.1.5 Language Sanitization

Section title — sportsbook: "Responsible gaming"

Section title — prediction: "Responsible Risk Management"

Self-exclusion — sportsbook: "Exclude yourself from betting"

Self-exclusion — prediction: "Exclude yourself from making trades"

SECTION C.2: DRAFTKINGS

C.2.1 Products Reviewed

Sportsbook: DraftKings Sportsbook — state-regulated mobile sports wagering platform

Prediction market (standalone): DraftKings Predictions — separate app, CFTC-registered

Prediction market (embedded): DraftKings Predictions embedded within the main DraftKings Sportsbook app — accessible with one tap, no re-authentication.

C.2.2 Account Architecture

Single account: Both products operate under a single DraftKings account. Separate authentication required for the standalone Predictions app. No re-authentication required for the embedded Predictions tab within the Sportsbook app.

Wallet: Product-segregated wallets. Predictions tradable balance: $101.44. Sportsbook playable balance: $29.22. Funds cannot be transferred between products.

Cross-visibility: Both financial centers link to each other. From within DraftKings Predictions: "Looking for Sportsbook or other products? View the DraftKings Financial Center here." From within DraftKings Sportsbook Financial Center: "Looking for Predictions? View the Predictions Financial Center here." Transaction history for both products is accessible from either product context.

Playable Balances screen: DraftKings Financial Center shows a "Playable Balances" selector listing all products under the same account: Fantasy Sports & Pick6, Sportsbook & Casino, Marketplace, Lottery, Racing — all showing $29.22 USD. DraftKings Predictions is absent from this shared balance pool, confirming financial segregation while account identity is unified.

C.2.3 Responsible Gaming Lobby Comparative

Tool	DraftKings	
	Sportsbook	Prediction
RG Section Naming	Responsible Gaming	Responsible Trading
Deposit Limits	Daily, Weekly, Monthly	Daily, Weekly, Monthly
Wager Limits	Daily, Weekly, Monthly	No
Loss Limits	Daily, Weekly, Monthly	No
Single Max Wager Limit	Yes	No
Time Limit	Daily, Weekly, Monthly	No
Reality Check	15, 30, 45 min	No
Alerts	Deposit - Daily, Weekly, Monthly	No
Timeout/Cool-Off	3-5 days	1 - 31 days
Self -Exclusion	1, 3, 5 Years or Life	1, 3, 5 Years or Life
Restrict Deposit Method	Yes	No
RG Section in FAQ	No	No
Other Tools	betblocker, Evive, Kindbridge , stats history, Code of Responsible Play, Know Your Play, Bankroll Basics, Smart Betting Tips, Budget Builder, tutorials	Smart Trading Guide, Kindbridge
Total RG Tools	**10 (plus resources)**	**3 (plus limited resources)**

Test: Compared Responsible Gaming Lobby of both DraftKings Sportsbook and DraftKings Predicts

Result: DraftKings Sportsbook offered 10 separate responsible gaming tools plus a wide range of additional responsible gaming resources. Comparatively, DraftKings Predicts offered only 3 responsible gaming tools and with very little access to additional resources.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Screen showing responsible gaming and responsible trading lobby side by side.

C.2.4 Deposit Limit Propagation — Operator Disclosed

DraftKings discloses deposit limit cross-product application directly in its responsible gaming interface:

> *"Please Note… Your Deposit Limits will apply to the following DraftKings apps" — followed by seven product icons: Sportsbook, Casino, Pick6, Fantasy, Jackpot, Predictions, Racing.*

Test: $5,000 daily deposit limit set in DraftKings Sportsbook Responsible Gaming Center.

Result: Limit appeared in DraftKings Predictions Responsible Trading Center Deposit Limits screen showing "Daily Deposit Limit — $5,000.00 — $0.00 of $5,000.00 — ACTIVE."

The Predictions Responsible Trading Center shows the same "Please Note" disclosure with identical seven-icon product list, confirming the limit infrastructure is explicitly designed to cross product boundaries.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Screen showing limits in the responsible gaming lobby

C.2.5 The Invisible Regulatory Boundary: Account Context Toggle Within a Single App

DraftKings has embedded its Predictions product as a navigation tab directly within the DraftKings Sportsbook application — labeled "NEW PREDICTIONS" — accessible with a single tap from the sportsbook home screen. The two screenshots below,

captured within the same app session, document what happens when a user taps that tab: the account context switches from the state-licensed sportsbook to the CFTC-registered prediction product, and back again, with no re-authentication, no compliance checkpoint, and no disclosure that the user has crossed a regulatory boundary.

The only visible signals of the switch are the account balance changing — from $29.22 (sportsbook) to $101.44 (predictions) — and the small badge in the top-left corner toggling between "RG" (Responsible Gaming) and "RT" (Responsible Trading). No ordinary user would recognize the RG/RT badge distinction as a regulatory boundary indicator. No disclosure appears stating that the user is now in a product with materially different consumer protections. The transition is designed to be frictionless — and it is.

REGULATORY COMPARISON: A licensed sportsbook operator in any U.S. jurisdiction is prohibited from offering a materially different consumer protection framework to the same customer under the same account session without disclosure. The architecture documented here achieves precisely that outcome. A DraftKings customer who moves from the Sportsbook tab to the Predictions tab within a single app has transitioned — invisibly, without acknowledgment, and without consent — from a product subject to wagering limits, loss limits, reality check, deposit alerts, a budget builder, and a mandatory 1-800-GAMBLER disclosure, to a product subject to none of those protections. The Responsible Gaming Center becomes the Responsible Trading Center. The consumer protection framework is stripped. The transition between state-licensed and federally registered products is designed to be seamless to the consumer but asymmetric in its compliance framework. This is not an incidental design outcome; it is the commercial purpose of embedded architecture. By engineering a portal where liquidity (deposits) flows freely across the regulatory boundary while safeguards (wager limits) are blocked, operators have created a high-speed lane for regulatory arbitrage that bypasses the primary tools for gambling exposure control.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Screen showing an overlay of one lobby over the other with respective balances.

C.2.6 Language Sanitization

Section title — sportsbook: “Responsible Gaming Center” — “When it comes to betting, it’s more fun when it’s for fun.”

Section title — prediction: “Responsible Trading Center” — “your guide to smart, informed trading”

Problem gambling helpline — sportsbook: Visible on login screen: “If you or someone you know has a gambling problem, call 1-800-GAMBLER”

Problem gambling helpline — prediction: Not observed in primary account flow

SECTION C.3: FANDUEL

C.3.1 Products Reviewed

Sportsbook: FanDuel Sportsbook — state-regulated mobile sports wagering platform ($467.19 playable balance)

Prediction market: FanDuel Predicts — separate app, CFTC-registered ($25.00 buying power)

C.3.2 Account Architecture

Single account: Both products operate under a single FanDuel account. Separate authentication required when switching between apps. Session time counter active on sportsbook; inactivity timeout triggers responsible gaming helpline prompt on re-login.

Wallet: Product-segregated wallets. Each product displays the other’s balance as a “Non-playable balance.” FanDuel Sportsbook account screen shows $467.19 playable / $25.00 non-playable (Predicts). FanDuel Predicts account screen shows $25.00 buying power / $467.19 non-playable (Sportsbook).

Transaction history: FanDuel Predicts transaction history screen states: "These are your Predicts transactions. To see other FanDuel transactions, switch to a different product." Cross-product transaction visibility available from within either product.

Geolocation — sportsbook: Hard block on every session: full-screen "Sports betting isn't allowed where you're located" with state selector required before sportsbook content is accessible.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Inactivity timeout prompt displaying 1-800-HOPENY problem gambling helpline. This prompt appears on sportsbook re-authentication. No equivalent prompt observed on prediction app.

Geolocation — prediction: No equivalent geolocation hard block observed. FanDuel Predicts accessible without location verification.

C.3.3 Responsible Gaming Lobby Comparative

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Screen showing responsible gaming and responsible trading lobby side by side.

Test: Compared Responsible Gaming Lobby of both FanDuel Sportsbook and FanDuel Predicts

Result: FanDuel Sportsbook offered 11 separate responsible gaming tools plus a wide range of additional responsible gaming resources. Comparatively, FanDuel Predicts offered only 3 responsible gaming tools and with no additional resources.

RG Tool	FanDuel	
	Sportsbook	Prediction
RG Section Naming	Responsible Gaming	User Tools/Consumer Protection
Deposit Limits	Daily, Weekly, Monthly	Daily, Weekly, Monthly
Wager Limits	Daily, Weekly, Monthly	No
Loss Limits	Daily, Weekly, Monthly	No
Single Max Wager Limit	Yes	No
Time Limit	Daily	No
Reality Check	15, 30 min	No
Alerts	Deposit - Daily, Weekly, Monthly	Deposit - Daily, Weekly, Monthly
Timeout/Cool-Off	3 - 365 days	No
Self -Exclusion	1, 3, 5 Years or Life	1, 3, 5 Years or Life
Restrict Deposit Method	Yes	No
RG Section in FAQ	Yes	No
Other Tools	Deposit Threshold, Kindbridge, Evive, Trusted Voices	None
Total RG Tools	**11 (plus resources)**	**3 (no additional resources)**

C.3.4 Deposit and Wager Limit Propagation — The Selective Architecture

FanDuel's limits history provides the most direct evidence of deliberately asymmetric compliance design across any of the three operators reviewed.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Wager limit confirmation screen. Wager limit of $5,000 set on sportsbook. No equivalent wager limit tool exists on prediction app

A $5,000 daily wager limit and a $5,000 daily deposit limit were set on the FanDuel Sportsbook. FanDuel's "Limits history — Consumer Protection" screen records the following:

> *Daily deposit limit (April 12, 2026, at 10:16am ET): Products: FANTASY, SPORTSBOOK, CASINO, FACEOFF, RACING, PICKS, POKER, PREDICTS — Daily limit set to $5,000*
>
> *Daily wager limit (April 12, 2026, at 10:14am ET): Products: SPORTSBOOK, CASINO, RACING, POKER — Daily limit set to $5,000*

FanDuel Predicts appears in the deposit limit's product scope and is absent from the wager limit's product scope. The operator has explicitly designed the deposit limit to cross the regulatory boundary and explicitly excluded the wager limit from crossing it. This distinction — documented in FanDuel's own limits history — is the clearest evidence in this exhibit that the compliance asymmetry between sportsbook and prediction market products is the product of deliberate operator design choices, not regulatory gaps.

FanDuel Sportsbook deposit limit screen states: "Deposit limits — All FanDuel products — Control the maximum amount you can deposit across FanDuel." FanDuel Predicts has no wager limit tool in its consumer-facing interface.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

I "Limits history — Consumer Protection." Daily deposit limit: FANTASY, SPORTSBOOK, CASINO, FACEOFF, RACING, PICKS, POKER, PREDICTS. Daily wager limit: SPORTSBOOK, CASINO, RACING, POKER. PREDICTS absent from wager limit scope. This is evidence of deliberate asymmetric compliance design.

Underlying screenshot documenting this observation was captured during the April 2026 observation period and is retained by iGaming Capital LLC. Available upon request.

Deposit limit screen stating, "Deposit limits — Across all products — Control the maximum amount you can deposit across all products." $5,000 daily limit active.

C.3.5 Language Sanitization

Section title — sportsbook: "Responsible play — Player Protection Resources" — personalized: "Play with a plan, [user]. We're committed to keeping betting fun and safe."

Section title — prediction: "Consumer Protection tools" with tagline "Trade Responsibly. Manage your activity with our Consumer Protection tools."

Self-exclusion — sportsbook: Under "Responsible play" — "Self-exclusion"

Self-exclusion — prediction: "Long-term break (Self-exclusion)"

Inactivity timeout message — sportsbook: Includes 1-800-HOPENY problem gambling helpline. Equivalent message not observed on FanDuel Predicts.

Observations recorded by Melissa Blau, Founder & Director, iGaming Capital LLC. April 2026.

Index: Side by Side Comparison of Responsible Gaming Tools: Sportsbooks vs. Prediction

RG Tool	Fanatics		DraftKings		FanDuel	
	Sportsbook	Prediction	Sportsbook	Prediction	Sportsbook	Prediction
RG Section Naming	Responsible Gaming	Responsible Risk Management	Responsible Gaming	Responsible Trading	Responsible Gaming	User Tools/Consumer Protection
Deposit Limits	Daily, Weekly, Monthly	Weekly, Monthly	Daily, Weekly, Monthly	Daily, Weekly, Monthly	Daily, Weekly, Monthly	Daily, Weekly, Monthly
Wager Limits	Daily, Weekly, Monthly	No	Daily, Weekly, Monthly	No	Daily, Weekly, Monthly	No
Loss Limits	No	No	Daily, Weekly, Monthly	No	Daily, Weekly, Monthly	No
Single Max Wager Limit	Yes	No	Yes	No	Yes	No
Time Limit	Daily	Daily	Daily, Weekly, Monthly	No	Daily	No
Reality Check	15, 30 min	No	15, 30, 45 min	No	15, 30 min	No
Alerts	No	No	Deposit - Daily, Weekly, Monthly	No	Deposit - Daily, Weekly, Monthly	Deposit - Daily, Weekly, Monthly
Timeout/Cool-Off	3 - 365 days	3 - 365 days	3-5 days	1 - 31 days	3 - 365 days	No
Self -Exclusion	1, 5 Years or Life	1, 5 Years or Life	1, 3, 5 Years or Life	1, 3, 5 Years or Life	1, 3, 5 Years or Life	1, 3, 5 Years or Life
Restrict Deposit Method	Yes	No	Yes	No	Yes	No
RG Section in FAQ	Yes	Yes	No	No	Yes	No
Other Tools	Birches Health	Birches Health	betblocker, Evive, Kindbridge , stats history, Code of Responsible Play, Know Your Play, Bankroll Basics, Smart Betting Tips, Budget Builder, tutorials	Smart Trading Guide, Kindbridge	Deposit Threshold, Kindbridge, Evive, Trusted Voices	None
Total RG Tools	**8 (plus limited resources)**	**4 (plus limited resources)**	**10 (plus resources)**	**3 (plus limited resources)**	**11 (plus resources)**	**3 (no additional resources)**