United States Senate
WASHINGTON, DC 20510

April 30, 2026

The Honorable Michael Selig
Chair
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Dear Chair Selig,

We write in response to the Commodity Futures Trading Commission's Advanced Notice of Proposed Rulemaking (ANPRM) relating to prediction markets. Specifically, we are alarmed by the rapid erosion of the integrity of this financial product, through the rise in prediction market products without valid economic value or bona fide commercial hedging need.

On March 12, 2026, Chairman Selig stated the CFTC aims to create rules "grounded in a rational and coherent interpretation of the Commodity Exchange Act, while reassuring the American people that the CFTC will exercise its exclusive jurisdiction over prediction markets."[1] We strongly encourage you to use your authority to preserve the intent of prediction markets, and congressional intent behind the Commodity Exchange Act, by issuing a rule that prevents insider trading and corruption in the market and prohibits event contracts on the outcome of elections, war and military actions in the U.S. or abroad, sports, and government actions without a valid economic hedging interest.

Addressing Insider Trading

We urge you to address conflicts of interest and the potential for insider trading in prediction markets. The Commission should issue clear guidance and guardrails for prediction market companies to abide by when listing event contracts in order to prevent insider trading and potential corruption by government officials, political candidates, government employees, political campaigns, and similar individuals and entities. Last week, reporting highlighted several instances of political candidates betting on event contracts regarding their own race, and military personnel engaging in a market related to the military action they had non-public information about.

The U.S. prediction market contract guidelines should be standardized across trading platforms through clear guardrails and trading prohibitions issued by the Commission to capture categories of event contracts that should be prohibited entirely for government officials, political candidates, and other insiders. Currently, each trading platform determines their own rules for each event contract they list, and these rules vary across platforms.

Congressional candidates, elected officials, and staff should not engage in event contracts regarding the outcome of a Congressional action or race they control or have knowledge about. While the market is attempting to self-police these instances, it is not sufficient as insider trading

[1] https://www.cftc.gov/PressRoom/PressReleases/9194-26

will become more sophisticated and harder to track after recent scandals. Rather than a prediction market platform taking action against insider trading on campaigns after it happens, the Commission must prevent these types of trades from happening at all. Guidance by the Commission is necessary to rein in insider trading -- we are concerned that if left unchecked, these problems will only accelerate.

Categories of Event Contracts Against Public Interest

As you note in your ANPRM, Congress under the Commodities Exchange Act (CEA) established both the CFTC and granted the CFTC's explicit authority to determine that event contracts involving "activity that is unlawful under any Federal or State law; terrorism; assassination; war; gaming; or any similar activity determined by the Commission, by rule or regulation," to be contrary to the public interest.[2] Event contracts on elections violate several State laws, constitute gaming, and are clearly against the public interest and we urge you to address them as such. Similarly, prediction market contracts on war, terrorism and gaming are within the CFTC's authority to regulate and prohibit, and we urge you to address them as such.

Election prediction markets pose a danger to our democracy and elections. These types of contracts did not exist before 2024 in the United States and for good reason. Election-related prediction contracts create a financial incentive for political insiders involved in elections to subvert the will of American voters by altering their behavior. It is incomprehensible that a commission that was created by Congress to support commodities like the price of corn, is now 52 years after its creation allowing prediction market Wall Street firms to offer contracts on the outcome of elections, including individual races.

At a time when dark money and distrust in government are at an all-time high, election contracts commodify our democratic processes and exacerbate civic cynicism. These types of contracts not only affect market participants and traders, but the races themselves as candidates now have incentives to throw their own races to profit themselves and others. Several candidates for federal office have recently been found to have bet on their own races on Kalshi, a CFTC-regulated entity.

We strongly urge the CFTC to prohibit event contracts that are directly or indirectly tied to the outcome of a Federal, State, or local election. Doing so would preserve academic analysis that could inform news outlets on certain races, as non-CFTC registered entities operating under academic purview could continue to operate accepting small dollar trades. We do not need full-scale election event contracts with unlimited bet limits in order to understand election trends.

Event contracts on government actions that aren't tied to a specific demonstrated commercial hedging need should also be prohibited by the Commission. Kalshi, the largest prediction market company in the U.S., currently lists the following contracts tied to government actions:

- What [words] will Karoline Leavitt say in the next press briefing?
- Will members of Congress be banned from trading stocks?
- How many Gold Cards will Trump issue before May?

[2] 7 USC § 7a-2(5)(c)(i)

- Trump's approval rating tomorrow?
- [Number of] Trump Truth Social Posts this week?

There is no possible economic value or hedging need for these contracts, and they undoubtedly constitute pure wagering or gambling. Additionally, actions by government officials are ripe for corruption, and insider trading.

Over the last year, military markets have prompted the most scrutiny for their potential to be abused by insider traders. From trades on the ouster of the Ayatollah of Iran to the timing of the military incursions against Venezuela, suspicious trades in the U.S. market and abroad through Polymarket have raised serious questions about the ethics and morality of these markets. The United States should not be a place where someone can win or lose money based on the outcome of an urgent military mission to rescue a lost U.S. pilot in enemy territory.

Furthermore, the potential for U.S. government officials or employees to trade on these markets poses enormous national security concerns. Adversaries can gain insight into U.S. military strikes hours before they happen by closely watching prediction market trades. As recently as last week, a U.S. Special Forces soldier involved in the capture of Nicolas Maduro was arrested for placing a series of bets on Polymarket ahead of the raid. His payout, which was over $400,000, and the associated national security risks underscore the perverse incentives created by prediction markets and the need for stronger guardrails. The Commission should prohibit any event contract that directly deals with war, military actions, and terrorism, as is enumerated in the CEA and is against the public interest.

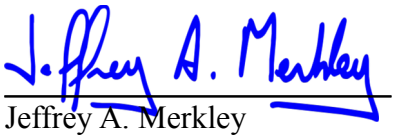
Finally, sports represent the most lucrative type of contract for the prediction market industry. No sporting event contract was traded or offered on prediction markets prior to 2023. Last year these types of contracts accounted for approximately $1 billion in trades per week on just one platform.[3] Event contracts on the outcome of a sports game or event are far from the intent of the CFTC's mission. They are one of the most egregious examples of how these contracts represent gambling and violate states' rights to regulate this activity. Over 20 states have sued prediction market companies like Kalshi for offering their contracts in conflict with state law, and they should be explicitly prohibited by the Commission in this upcoming rule.

Finally, we urge you to use the Commission's own standard for hedging need to further rein in other types of even contracts that have been unleashed into the hands of Americans and must be prohibited or reined in as they do not have a commercial hedging value, such as if Jeff Bezos will attend the Super Bowl, or what the color of the President's tie will be at the State of the Union. What is presented and marketed as financial innovation is prediction market casino for Wall Street firms.

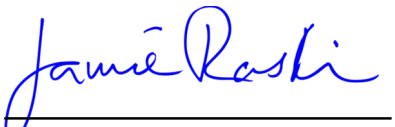
We respectfully request that a forthcoming rule protect consumers, investors, American taxpayers, and democratic elections instead of the interests of the prediction market industry and Wall Street.

Sincerely,

[3] https://www.ft.com/content/e80df917-2af7-4a37-b9af-55d23f941ec6?syn-25a6b1a6=1



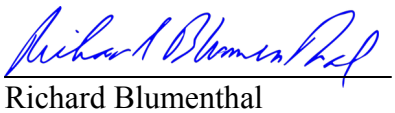
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