Fanatics

April 30, 2026

BY ELECTRONIC SUBMISSION

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre 1
155 21st Street NW
Washington, DC 20581

Re: Prediction Markets — Advance Notice of Proposed Rulemaking; RIN 3038–AF65

Dear Mr. Kirkpatrick:

Paragon Global Markets, LLC and Morton St. Trading Investments, LLC, subsidiaries and affiliates of Fanatics Holdings, Inc. (collectively, "Fanatics" or "Fanatics Markets") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or "Commission") Advance Notice of Proposed Rulemaking regarding prediction markets ("ANPRM"). We commend the Commission, and Chairman Michael S. Selig, for taking the important step of engaging the public through this rulemaking process as it develops a comprehensive regulatory framework for prediction markets.

The ANPRM is an important effort to clarify the CFTC's jurisdiction and approach to overseeing and enforcing event contract derivatives through its regulatory framework. The Commission's decision to withdraw its 2024 proposed rules,[1] and instead solicit broad public input through this ANPRM reflects a thoughtful, measured approach to addressing the significant legal, regulatory, and market developments that have reshaped prediction markets since the proposal was issued.

In this letter, we urge the Commission to take steps to improve clarity between federal and state systems that would benefit market participants, regulators, and the public (ANPRM Questions 33 & 37). We next address the costs and benefits of potential rules under the Commission's statutory obligations (ANPRM Questions 6 & 28), followed by three market integrity topics raised by the ANPRM: how susceptibility to manipulation should be determined (ANPRM Question 2(c)); whether prediction markets pose surveillance challenges and how they can be addressed (ANPRM Question 2(d)); and the application of anti-manipulation rules to prediction markets (ANPRM Question 31).

I. Background on Fanatics

Fanatics Holdings, Inc., a Delaware-incorporated company headquartered in New York, is building a global digital sports platform. When Fanatics was established in 2011, the company was singularly focused on one core business—Fanatics Commerce, our retail and consumer products business – known primarily as a producer of licensed sportswear. Since that time and

[1] Press Release, CFTC Withdraws Event Contracts Rule Proposal and Staff Sports Event Contracts Advisory, Release No. 9179-26 (Feb. 4, 2026), https://www.cftc.gov/PressRoom/PressReleases/9179-26.

during the past several years, Fanatics has continued to expand our sports-related offerings as we work toward achieving our mission of becoming one of the leading global sports platforms and to deliver increased value to both sports fans and our partners. As a part of this strategy, in 2021 we established two new businesses, Fanatics Collectibles and Fanatics Betting and Gaming ("FBG"). FBG provides both online and retail sportsbook offerings, as well as online casino products, and operates across a substantial majority of the regulated U.S. gaming market. In 2023, we stood up Fanatics Events and in 2025, Fanatics Markets. Fanatics Studios launched in 2026 as the newest avenue to continue relentlessly enhancing the fan experience.

Specific to the matter of prediction markets, Fanatics acquired Paragon Global Markets, LLC, which is registered with the CFTC as an introducing broker and is a member of the National Futures Association ("NFA"). In December 2025, Fanatics launched Fanatics Markets, a simple, user-friendly prediction market platform built to let adults trade on the moments shaping sports, finance and culture. It provides adults a safe and fun way to engage in prediction markets offered via North American Derivatives Exchange, Inc. D/B/A Crypto.com | Derivatives North America, whether that's a sporting event, the Oscars, an election or a cultural moment. The Fanatics Markets app is now available on iOS, Android and via the desktop website. In March of 2025, Morton St. Trading Investments, LLC, another Fanatics affiliate, was approved as an NFA member and registered with the Commission as a Futures Commission Merchant ("FCM"). However, at this time, Fanatics Markets' FCM is currently not operational.

As a sports-centric company that experiences business performance volatility as a downstream effect of sporting outcomes, the overall Fanatics enterprise sees the utility that sports-related prediction markets present. We can envision opportunities where our company could access prediction markets to reduce financial risks from, for example, negative merchandise sales outcomes based on a championship game's result.

II. The Commission Should Take Steps to Clarify the Jurisdictional Framework for Event Contracts (ANPRM Questions 33 & 37)

Fanatics respectfully urges the Commission to use this ANPRM as an opportunity not only to establish an appropriate regulatory framework for prediction markets, but also to provide greater clarity regarding the jurisdictional framework governing event contracts in general. As ongoing litigation challenging the scope of the CFTC's exclusive jurisdiction makes clear, there is a pressing need for a more precise delineation between federal and state authority in this space.

Under existing law, the Commission has a range of tools at its disposal—including its rulemaking authority and its broad exemptive authority under the CEA—that it should use to affirm the CFTC's jurisdiction over exchange-traded event contracts while also recognizing and protecting legitimate state interests in the regulation of traditional, intrastate sports wagering. Fanatics encourages the Commission to use its existing authorities to establish clearer jurisdictional boundaries, reduce regulatory uncertainty, and provide a more durable framework for the continued growth of prediction markets.

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III. Costs and Benefits of Potential Rules (ANPRM Questions 6 & 28)

Section 15(a) of the CEA requires the Commission to consider the costs and benefits of any proposed action in light of five considerations: (A) the protection of market participants and the public; (B) the efficiency, competitiveness, and financial integrity of futures markets; (C) price discovery; (D) sound risk management practices; and (E) other public interest considerations.[2] Section 15(b) further requires the Commission to take into consideration the public interest protected by the antitrust laws and to endeavor to take the least anticompetitive means of achieving the CEA's objectives.[3] Fanatics respectfully submits that a central consideration in evaluating potential rules under this framework is whether requirements can be implemented and administered efficiently. In practice, this means augmenting and enhancing regulatory structure as needed on systems that have already been created, built, and being used by the public. Specifically, instead of creating an entirely new, overly onerous, or prescriptive compliance structure(s), the Commission should act in a manner that recognizes the value of exchanges and intermediaries already functioning to monitor transactions, verify customer identity, and flag unusual activity in real time.

Well-designed rules should provide meaningful consumer benefits, including clearer expectations around contract design, settlement, surveillance, and participant conduct, all of which support the deterrence and detection of misconduct. These benefits are strongest where rules align with how markets actually function in practice and can be incorporated into existing compliance systems and operational workflows.

Costs, by contrast, arise where requirements diverge from operational realities or introduce unnecessary complexity. Highly prescriptive rules, duplicative reporting obligations, or additional layers of oversight that do not build on existing controls can increase regulatory burden without improving market integrity outcomes. Regulated exchanges and intermediaries already monitor activity, maintain detailed records, and report suspicious behavior using established processes that have proven effective across a range of derivatives products. Imposing overlapping or duplicative requirements on prediction markets would not enhance existing capabilities but instead would divert compliance resources away from risk-based oversight which has been shown to be the most effective tool for detecting and deterring misconduct and other inappropriate activity.

Fanatics therefore encourages the Commission to adopt an approach that builds on the existing Core Principles framework and focuses on clear, workable expectations. Risk-based approaches—such as safe harbors for lower-risk contract types and targeted controls for higher-risk scenarios—would allow the Commission to tailor its oversight based on the specific characteristics of different prediction market products. Outside the context of contracts presenting the clearest statutory or public interest concerns (such as those involving terrorism, assassination, or war), the Commission should avoid categorical exclusions of event contracts

[2] 7 U.S.C. § 19(a).
[3] 7 U.S.C. § 19(b).

based solely on perceived inherent risks, particularly where outcomes are based on observable data and can be effectively monitored through the surveillance frameworks described below.

While some contract types may present elevated or unique integrity considerations, those risks can be appropriately managed. Targeted controls—such as enhanced monitoring, participant restrictions, and anomaly detection—can effectively mitigate these risks in practice. A framework that evaluates both the nature of the risk and how it can be managed will better align regulatory outcomes with operational realities and will be more durable as prediction markets continue to evolve.

On balance, Fanatics supports well-designed rules which are clear, proportionate, and designed in a manner that builds upon a well-functioning existing regulatory and compliance infrastructure. A regulatory approach that builds on established capabilities will be easier to develop and administer, will reduce unnecessary burden on market participants and regulators alike, and are more likely to achieve consistent and effective outcomes across the prediction markets landscape.

IV. Susceptibility to Manipulation (ANPRM Question 2(c))

The Commission should also consider how to evaluate whether particular contracts are susceptible to manipulation. Fanatics respectfully submits that susceptibility to manipulation in prediction markets should not be assessed through a rigid or categorical test, but rather through a structured, fact-specific inquiry that reflects how manipulation risk manifests in practice. In particular, the Commission should draw on established integrity monitoring frameworks used in adjacent, event-driven markets to inform a more operationally grounded standard.

Effective integrity programs do not rely on a single indicator of misconduct. Instead, they identify manipulation risk through the convergence of multiple signals, including anomalous trading patterns, coordinated activity across accounts, timing-based irregularities, and pricing movements that are not supported by new information. These systems typically combine real-time monitoring with post-event analysis, allowing for both immediate detection and retrospective validation of suspicious activity.

Translating these principles into a regulatory framework, Fanatics believes susceptibility to manipulation should be evaluated based on both the ability to influence outcomes and the detectability of anomalous conduct. First, the Commission should consider the degree to which the outcome of a contract can be influenced by a discrete set of actors. Where a small number of individuals, or coordinated participants, can meaningfully affect the outcome of the referenced event, the risk of manipulation is inherently elevated. This risk becomes more acute where those actors (or those with access to them), are able to participate in the market or trade through intermediaries.

Second, susceptibility should be informed by whether manipulation would produce identifiable signals within the market. In practice, manipulative activity often manifests through recognizable patterns: clusters of accounts taking the same position; outsized activity from newly

created or lightly established accounts; trading that is disproportionately successful relative to prevailing prices; or price movements that occur absent any new public information. Markets in which such signals can be readily detected and investigated through audit trails and participant identification are likely less susceptible to manipulation than those where activity cannot be effectively monitored or attributed.

Third, the transparency and verifiability of the underlying outcome remain central to any susceptibility analysis. Contracts that settle based on publicly observable, independently verifiable data are significantly more resilient to manipulation than those relying on opaque or discretionary determinations. The ease with which an outcome can be confirmed using widely available information directly impacts both the likelihood and detectability of manipulation.

Fourth, market structure considerations must be taken into account. Markets characterized by limited liquidity, concentrated positions, or barriers to participation are more prone to price distortion and coordinated behavior. In such environments, relatively small amounts of capital or coordinated activity across accounts can exert outsized influence on price formation or settlement dynamics.

Fifth, the granularity and timing of the contract should inform the analysis. Contracts tied to highly discrete or short-duration outcomes present more opportunities for targeted influence and strategically timed activity than those tied to broader, aggregated results.

Taken together, these five considerations support a risk-based approach under which the Commission evaluates susceptibility along a spectrum rather than through bright-line categorical rules. Importantly, this approach should incorporate not only theoretical vulnerability to manipulation, but also whether the market structure and surveillance capabilities in place are sufficient to detect the types of anomalous patterns that manipulation would likely produce. Such a framework would be consistent with how the Commission already evaluates other aspects of market integrity under the DCM Core Principles, and would give exchanges the flexibility to tailor their compliance programs to the specific risk profile of the contracts they list.

V. Surveillance Considerations (ANPRM Question 2(d))

The ANPRM asks whether prediction markets pose distinct surveillance challenges. Fanatics respectfully submits that prediction markets do present distinct surveillance considerations, but those challenges are not novel so much as they reflect the need to extend existing market oversight principles into a context where trading activity and real-world events are closely interconnected. The central challenge lies in the need to monitor not only trading behavior, but also the participation of individuals who may have the ability to influence, or possess privileged insight into, the underlying event. In traditional derivatives markets, surveillance is largely confined to order flow, pricing, and position data. In prediction markets, however, effective oversight requires identifying and managing categories of participants whose involvement in the market itself may create heightened integrity risks.

Operationally, this challenge is already addressed in analogous environments through structured participant identification, classification, and restriction frameworks. These frameworks rely on the systematic use of personal identifying information, external data sources, and ongoing monitoring to detect whether market participants fall into higher-risk categories, such as individuals with direct involvement in, or proximity to, the underlying event.

In practice, such systems function through several reinforcing mechanisms. First, platforms implement proactive identity-based screening, comparing customer data against externally sourced lists of individuals whose participation may raise integrity concerns. This matching is not static; it is conducted on a recurring basis as new data is received and as participant roles evolve.

Second, once identified, these individuals are subject to tailored restrictions or controls, which may include stake factoring, prohibiting participation in certain categories of contracts, or applying enhanced monitoring to their activity. These controls are often informed by the specific nature of the individual's relationship to the underlying event and may vary accordingly.

Third, effective surveillance frameworks incorporate clear escalation and reporting protocols. When a potentially restricted or high-risk participant is identified, platforms follow standardized procedures to verify identity, assess the nature of the activity, and notify relevant internal teams, regulators, or other stakeholders where appropriate. These processes ensure that surveillance is not merely observational, but actionable.

More broadly, prediction markets also require the ability to connect trading patterns with developments in the underlying event. This includes detecting coordinated activity across accounts, identifying attempts to obscure beneficial ownership, and monitoring for anomalous trading behavior that cannot be explained by new public information. Information asymmetries further complicate the surveillance landscape: access to non-public or early information regarding the underlying event can create significant advantages, particularly in time-sensitive markets. However, identity-based controls and participant classification systems, such as those described above, provide a practical mechanism for mitigating these risks by limiting or monitoring participation by those most likely to possess such information.

Importantly, these challenges are addressable through the integration of well-established surveillance tools: comprehensive trade monitoring, robust know-your-customer and beneficial ownership identification procedures, detailed audit trails, and structured information-sharing arrangements. The addition of participant-based controls, particularly those designed to identify and manage higher-risk individuals, further strengthens this framework. In this respect, the key question is not whether prediction markets present unique surveillance challenges, but whether surveillance systems are designed to account for both who is trading and their relationship to the underlying event. Where those elements are effectively integrated, the Commission can have a high degree of confidence in the detectability and deterrence of manipulative conduct.

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VI. Application of Anti-Manipulation Rules (ANPRM Question 31)

The ANPRM also asks how the Commission's existing anti-manipulation rules should apply to prediction markets. Fanatics respectfully submits that anti-manipulation rules should be applied in a manner that reflects the dual nature of prediction markets, where misconduct may occur either through trading activity or through actions that affect the outcome of the referenced event. A comprehensive framework should therefore make clear that prohibited conduct includes not only manipulative or deceptive trading practices (e.g., spoofing, wash trading, or attempts to distort prices) but also efforts to influence the underlying event for the purpose of benefiting from a market position. Limiting the scope of anti-manipulation rules to trading activity alone would leave a significant gap in the Commission's enforcement authority.

At the same time, the application of these rules should remain principles-based, allowing the Commission to evaluate intent and effect based on the totality of the circumstances. Evidence of manipulation may arise from trading patterns, the timing of positions relative to key developments, or the relationship between market participants and those with the ability to affect outcomes. A flexible standard, rather than a prescriptive rule, is necessary to capture the range of behaviors that could undermine market integrity in these markets.

Preventive measures should also play a central role in the Commission's approach. Position limits and concentration controls can reduce the ability of any single participant to dominate a market or influence settlement outcomes. Similarly, heightened scrutiny or, where appropriate, restrictions on participants with the ability to affect the underlying event or access material non-public information can mitigate the conflicts of interest that would otherwise increase manipulation risk. These preventive tools complement the surveillance frameworks discussed in Section V and can be calibrated to the specific risk profile of the contracts at issue.

Finally, effective enforcement depends on the availability of timely and comprehensive data. Platforms should be expected to maintain strong internal controls, monitor for suspicious activity, and provide the Commission with access to relevant information as needed. Coordination across platforms and jurisdictions will also be important in addressing conduct that extends beyond a single marketplace, particularly as prediction markets continue to grow and attract participation from a broader range of market participants.

In sum, anti-manipulation rules should be applied broadly enough to capture both trading-based and event-based misconduct, while remaining sufficiently flexible to adapt to the specific characteristics of prediction markets. Fanatics believes that such an approach—grounded in existing CEA anti-manipulation authority and supplemented by the preventive and surveillance measures described above—would provide the Commission with the tools it needs to maintain market integrity without imposing unnecessary rigidity on market participants or exchanges.

VII. Conclusion

Fanatics supports the Commission's efforts to establish a clear and comprehensive regulatory framework governing the operations of prediction markets. The ANPRM represents an important step toward providing the regulatory certainty that market participants, exchanges, and the public need. We appreciate the opportunity to provide input on the ANPRM and look forward to continued engagement with the Commission and its staff as this rulemaking process moves forward.

Respectfully submitted,



Alex Smith

Chief Legal Officer
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