April 30, 2026

BY ELECTRONIC SUBMISSION

Mr. Christopher J. Kirkpatrick
Secretary
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Re: Advanced Notice of Proposed Rulemaking 17 CFR Chapter 1 Prediction Markets

ForecastEx LLC ("ForecastEx") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or the "Commission") advanced notice of proposed rulemaking concerning prediction markets. ForecastEx is a Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO") that lists Forecast Contracts, which are a subset of event contracts, on macroeconomic and climate events.

As a prediction market operator, we appreciate the Commission's decision to solicit public input through this Advance Notice of Proposed Rulemaking and view it as a constructive step toward greater regulatory clarity. As these markets have evolved, participants have operated within an uncertain regulatory environment due to the limited availability of formal guidance. Additional clarity from the Commission will help provide greater certainty regarding the application of existing rules, enabling firms like ForecastEx to innovate responsibly while maintaining full compliance with the Commodity Exchange Act. ForecastEx hopes that the comments below assist the Commission in its efforts to clarify regulations around prediction markets.

I. Core Principles Regulation

In addressing the Commission's questions on the Core Principles, we believe the existing principles-based framework remains well-suited to the regulation of event contracts. The Core Principles are intentionally broad and outcomes-focused, allowing them to accommodate product innovation without requiring continual rulemaking updates. Event contracts do not, in our view, require new or modified principles; rather, they may warrant tailored consideration in how compliance with existing principles is assessed.

I.A. Contracts Not Subject to Manipulation

With respect to Core Principle 3 and the Commission's questions regarding whether a contract is readily susceptible to manipulation,[1] we believe the existing framework—particularly as articulated in Appendix

[1] 91 CFR 12516, 12519 "c. Core Principle 3 states that a DCM may list "only contracts that are not readily susceptible to manipulation." 37 How should a determination of whether an event contract is "readily susceptible to manipulation" be made? What factors should be considered? Are there particular aspects of event contracts that make this determination different from the determination with respect to other listed contracts? Do any existing rules for other types of exchanges and platforms (i.e., not prediction markets) limit or mitigate the potential for manipulation? If so, how and to what extent are these rules appropriate as requirements for prediction markets? See also the questions regarding inside information in part II.E. below."

C to Part 38[2] and reinforced by the Commission's recent 2026 guidance[3]—already provides a sound and flexible basis for analysis. As with other derivatives products, the determination is inherently fact-specific and depends on the characteristics of the underlying event. For contracts based on financial variables, this analysis will largely mirror that applied to traditional futures and options markets. For contracts tied to economic releases or similar data points, the focus appropriately shifts to considerations such as the methodology used to produce the data, the integrity and security of the data prior to release, and the transparency of the release process. For event contracts tied to elections or other public outcomes, the analysis may instead center on whether the contract structure creates incentives to distort the underlying event itself, including any potential for participants to attempt to influence outcomes.

Across these categories, we believe the Commission and designated contract markets should focus on a consistent set of core considerations:

- The timing and predictability of data releases (or, in the case of one-off events, the mechanisms used to address uncertainty in settlement timing),
- The robustness of data protections at the source agency,
- The transparency and objectivity of the contract's settlement methodology,
- The reliability and credibility of the source agency or data provider, and
- Whether the contract design creates any perverse or manipulable incentives—and, if so, the extent to which those risks can be effectively mitigated.

DCMs should be expected to show that they have considered all of these factors when making a determination that a product is not readily susceptible to manipulation. This principles-based, context-specific approach is consistent with the existing Core Principle 3 framework and is well-suited to the evaluation of event contracts without the need for new or prescriptive standards.

I.B. Position Limits and Position Accountability[4]

For most event contracts, position limits are not necessary. When an event contract is based on an underlying that is an economic data release, environmental metric, election outcome, sporting event, or any other event that is not a tradeable financial instrument, the typical reasoning for position limits does not apply. Because event contracts are not physically delivered, there is no risk that positions exceed deliverable supply. Further, because the underlying is an event, and not a tradeable underlying instrument, trading in the contract will not impact the outcome of the underlying event. Given these facts, the CFTC should allow DCMs to set position limits or position accountability in whatever manner seems appropriate to them. ForecastEx has chosen to use position accountability for most of its products. This

[2] 17 C.F.R. pt. 38, app. C (2026), in particular, sections (c), (f), and (g).
[3] CFTC Letter No. 26-08
[4] 91 CFR 12516, 12519 "e. Core Principle 5 states that a DCM shall, for each contract, adopt position limitations or position accountability for speculators as is necessary and appropriate to ''reduce the potential threat of market manipulation or congestion." 39 What factors should the Commission expect a DCM to consider in adopting position limitations or position accountability for prediction markets? For example, what factors should the Commission consider regarding how position limits across similar event contracts should be aggregated (e.g., whether there is the same underlying reference, or whether there are similar references)? Are there reasons why event contracts, as compared to other swaps and futures contracts, should, or should not, be subject to different position limitations or position accountability? Are existing position limitation or position accountability provisions helpful as precedent for determining how prediction markets should implement such measures?"

allows ForecastEx to effectively monitor large positions while not unnecessarily restraining customers' ability to trade.

However, in cases where an event contract has a tradeable financial instrument as its underlying, a DCM should be expected to analyze the impact that large positions in the event contract could have on the underlying market and set its position limits and position accountability levels accordingly. In these cases, DCMs can use the same methods used to set position limits for future options and other derivatives with a financial underlying.

Position limits may also be appropriate for certain sports-related event contracts, particularly those tied to individual player performance or other narrowly defined outcomes. Unlike most event contracts, where no single participant can influence the underlying event, sports contracts—especially player props—may present a greater risk that individuals with influence over the outcome (e.g., players, coaches, or other insiders) could affect performance in a way that impacts settlement.

Finally, ForecastEx would note that in intermediated markets, FCMs are responsible for determining a given customer's suitability to trade and may set position limits that are lower than exchange determined levels for certain classes of customers. In direct access markets, this mechanism doesn't exist because a direct access DCO does not have FCM obligations. As a result, ForecastEx believes that direct access DCOs should have a similar obligation to FCMs and be required to assess the appropriateness of given contracts for a given participant and set position limits for those customers as necessary.

I.C. Margin[5,6]

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[5] 91 CFR 12516, 12519 "f. *Core Principle 11 requires that a DCM have "rules and procedures for ensuring the financial integrity of transactions entered into on or through facilities of the [DCM] (including the clearance and settlement of the transactions with a derivatives clearing organization [(DCO)]); and rules to ensure the financial integrity of any [intermediary] and the protection of customer funds." 40 Currently, event contracts are fully collateralized. What factors should the Commission consider in determining whether prediction markets should be permitted to offer trading on margin, and should such factors be different for retail as opposed to institutional customers? If margin is provided to retail customers, what disclosure, if any, should the Commission consider to ensure that customers are fully informed of the consequences and potential losses resulting from the customer's failure to meet margin requirements? If prediction markets are allowed to offer trading on margin, what factors should be involved in the calculation of initial margin, such as concentration, or liquidity (i.e., the cost to the DCM to liquidate a defaulting member's portfolio)? What methods should be involved, such as a flat percentage rate or a statistical analysis? Given that some event contracts resolve quickly and others may not resolve for years, what time series of data and other time period considerations should be involved when calibrating appropriate margin? What factors should be involved in considering other issues such as whether daily variation margin should be required, the time intervals for collecting margin, and the instruments permitted for posting initial margin and exchanging variation margin? What products should be eligible for cross-margin with event contracts if trading on margin is allowed? See also question 3.c. regarding the implications of margin trading for DCOs."*

[6] 91 CFR 12516, 12520 "c. What implications for DCOs should the Commission consider if event contracts were traded on prediction markets on margin? Are there any issues arising with respect to, for example, the requirements in DCO Core Principle D that "(iv) . . . [t]he margin required from each member and participant of a [DCO] shall be sufficient to cover potential exposures in normal market conditions" and "(v) . . . [e]ach model and parameter used in setting margin requirements under clause (iv) shall be—(I) risk-based; and (II) reviewed on a regular basis"? 44 What factors should the Commission consider regarding the clearing silo, if any, that would be appropriate for event contracts? What factors should the Commission consider regarding whether event contracts should be eligible for margin credit or cross margin, both on DCOs, and when cross-margined with securities exchanges? See also question 2.f. regarding margin considerations for DCMs."

The Commission should permit the trading of event contracts on a margined basis, provided that the DCO can demonstrate that robust, risk-based controls are in place to address the unique characteristics of these instruments.

Because event contracts are typically structured as binary, all-or-nothing payoffs, margin requirements should reflect the potential for discontinuous price movements, particularly as contracts approach expiration. The Commission should therefore expect that any margining framework require initial margin to converge to 100% of maximum potential loss at or near expiration. Even where a contract is priced at $0.99—implying a 99% probability of a favorable outcome—a resolution contrary to market expectations would result in a total loss of the invested amount. Accordingly, to ensure that margin adequately covers potential one-day losses under normal market conditions, full collateralization is necessary at expiration when structured as an all-or-nothing payout.

For longer-dated event contracts, where the probability of large daily price movements is lower, a risk-based margining approach may be appropriate. See the proposal in I.C.A. below. In contrast to traditional derivatives such as futures, where losses may be theoretically unlimited, event contracts have strictly bounded payoffs for both counterparties. This bounded risk profile supports the use of margining frameworks that scale with time to expiration and expected volatility.

However, any transition from a fully collateralized model to a margined framework would require the implementation of daily mark-to-market and variation margin processes to ensure that exposures do not accumulate over time. This represents a meaningful structural shift from the fully prefunded model commonly used in event markets and would necessitate corresponding enhancements to liquidity management, default procedures, and overall risk governance at the DCO level.

I.C.1 Expiration-Based Initial Margin

Any margin model adopted by a DCO must meet the existing requirements for margin in CFTC Regulation 39.13(g).[7] In particular, 39.13(g) requires a margin model to have initial margin requirements that are based on the risks of each product, cover intraday moves in a product with 99% confidence, and are regularly reviewed and back-tested.

ForecastEx suggests layering a minimum initial margin based on the time to expiration ("expiration-based initial margin") over a risk-based initial margin based on intraday moves ("intraday risk-based margin"). Specifically, the required initial margin for any given day would be the higher of either the intraday risk-based margin or the expiration-based initial margin. Because the high volatility close to expiration is based on the product's structure, this type of formula could be applied to all prediction markets with an all-or-nothing structure while still being consistent with the requirements in 39.19(g) that initial margin is "commensurate with the risks of each product and portfolio, including any unusual characteristics of, or risks associated with, particular products and portfolios."[8]

The expiration-based initial margin layer could look like the following:

[7] 17 C.F.R. § 39.13(g) (2026)
[8] 17 C.F.R. § 39.13(g)(2)(i) (2026)

Days to Expiration	Minimum Initial Margin
6+	10%
5	20%
4	40%
3	60%
2	80%
1	100%

Under this model, if an intraday risk-based formula required an initial margin of 25%, this would be the amount of margin charged until 4 days prior to expiration, when the expiration-based minimum margin would exceed the intraday risk margin. If another contract had a lower risk of 12% under an intraday risk-based formula, the expiration-based minimum margin would take over five days prior to expiration.

Allowing DCO's to adopt this type of structure would allow participants to have maximum capital efficiency while also ensuring that the DCO is collecting sufficient margin to withstand a default.

I.C.2 Portfolio Margining

In addition to standalone margining, the Commission should recognize that portfolio margining may offer a more operationally efficient and risk-sensitive approach for event contracts, with significantly less structural change required at the DCO level. Because event contracts are defined by bounded and discrete outcomes, positions across related contracts often exhibit clear offsetting or mutually exclusive risk profiles. A portfolio-based approach can capture these relationships while preserving the core features of a prefunded system.

For example, a participant holding "Yes" positions across multiple mutually exclusive outcomes—such as "Candidate A wins," "Candidate B wins," and "Candidate C wins"—faces a maximum loss equal to the aggregate of positions that cannot simultaneously resolve in their favor. A portfolio margining framework can recognize that only one outcome can occur, and therefore margin the portfolio based on the worst-case scenario rather than the sum of individual position requirements. Similarly, a participant holding both "Yes" and "No" positions on the same event at different price levels may have substantially reduced net exposure, which can be reflected through portfolio offsets.

More complex examples include positions across related events, such as "Party X controls the House" and "Party X controls both chambers," where outcomes are highly correlated but not identical. In such cases, a DCO could apply conservative correlation assumptions or stress scenarios to determine appropriate margin offsets, ensuring that risk is not understated while still recognizing diversification benefits.

Importantly, portfolio margining can be implemented within a fully prefunded or near-prefunded framework by calculating margin based on worst-case portfolio outcomes under a defined set of scenarios. This approach does not require the full introduction of variation margin or a departure to a traditional margined CCP model. Instead, it allows the DCO to maintain pre-funded risk coverage while improving capital efficiency for participants with offsetting positions.

By allowing DCOs to adopt a portfolio-based approach, the Commission can enable more efficient use of collateral in event markets without compromising risk controls. This framework aligns with established clearing practices in other asset classes while leveraging the unique bounded-risk structure of event

contracts to simplify implementation and limit the need for more complex margining infrastructure changes.

I.C.3 Margin for Retail Customers[9]

Whether margin is made available to retail customers should depend on whether or not their access is intermediated. Direct access retail customers should not be permitted to trade on margin due to the heightened credit, liquidity, and operational risks such activity presents. Unlike institutional participants, retail customers generally lack the financial resources, liquidity access, and risk management infrastructure necessary to reliably meet variation margin calls in volatile market conditions. Allowing retail customers to trade on margin introduces the potential for rapid accumulation of unsecured exposures, increasing the likelihood of customer default and placing additional strain on the clearing system.

Reliance on automated liquidation mechanisms as a primary risk control for margined retail customers is not a sufficient substitute for pre-funding. Auto-liquidation depends on the ability to execute trades in stressed or rapidly moving markets, where liquidity may be impaired, price gaps may occur, and execution quality may deteriorate. In such conditions, liquidation systems may fail to close positions at or near expected prices, resulting in residual losses that exceed posted margin. These risks are amplified in concentrated positions, correlated market moves, or periods of extreme volatility, where many accounts may be liquidated simultaneously, further straining market liquidity and increasing the likelihood of shortfalls.

From a systemic perspective, restricting direct-access retail customers to fully collateralized trading mitigates procyclical liquidity demands and reduces the risk that retail-driven margin shortfalls could propagate stress through the clearing ecosystem. It also avoids over-reliance on liquidation-based controls that are inherently contingent on market functioning during stress events. Accordingly, a fully prefunded model for direct access retail participants represents a prudent and risk-sensitive standard consistent with sound clearinghouse risk management practices.

Conversely, margining should be permitted for retail customers under an intermediated model. The FCM pays the margin to the DCO, and then the FCM makes an appropriateness determination as to whether a given retail customer should be permitted to trade on margin, or to require higher margin rates than the amount required by the DCO. This is the same structure that has been tried and tested in futures and options markets, and there is no reason that it can't be adapted for prediction markets.

I.D. Swap Reporting[10]

[9] 91 CFR 12516, 12519. f previously cited.

[10] 91 CFR 12516, 12520 "a. CEA section 2(a)(13) authorizes the Commission "to make swap transaction and pricing data available to the public in such form and at such times as the Commission determines appropriate to enhance price discovery." 46 CEA section 2(a)(13)(G) states that each swap "shall be reported to a registered swap data repository." 47 What factors should the Commission consider in applying these provisions to prediction markets listing event contracts as swaps? Are there aspects of event contract swaps that hinder or facilitate their reporting to a swap data repository or the public availability of the relevant transaction and pricing data? To what extent should such reporting and data availability be standardized in order, for example, to facilitate Commission analysis and to detect potential cross-market activity from a risk or manipulation perspective? Are public identifiers (e.g., CUSIP/ISIN/ LEI) 48 appropriate for event contracts? How does such reporting and data availability relate to enhanced price discovery?"

The CFTC has provided no-action relief for every DCM listing event contracts from part 43 and part 45 requirements related to reporting transitions to a swap data repository. The CFTC should enshrine these exceptions into its regulations as opposed to continuing to rely on no-action relief to achieve that effect.

II. Public Interest Determinations

With respect to the Commission's questions regarding the appropriate factors for a public interest determination,[11] we respectfully refer the Commission to Section IV of our prior comment letter from August 8, 2024 ("2024 Comment Letter"),[12] which addresses this issue in detail. As discussed there, the Commodity Exchange Act itself provides important context for this analysis, including through its treatment of excluded commodities, which reflects a congressional judgment that certain categories of event contracts serve the public interest.[13]

Building on that framework, we believe a public interest analysis should consider several core factors. These include: (i) the extent to which a contract provides meaningful hedging or risk-management utility, particularly for risks that cannot be effectively managed through existing instruments;[14] (ii) the informational and price-discovery value of the contract, including its ability to generate forward-looking insights relevant to businesses, investors, policymakers, and the broader public;[15] and (iii) additional positive externalities, such as the educational value of these markets and their role in improving understanding of complex economic or societal issues.[16]

As further described in our prior letter, these considerations provide a structured and workable basis for evaluating event contracts in a manner that is consistent with the statutory framework and the Commission's longstanding principles-based approach.

II.A Incorporating Price Discovery into Public Interest Determinations[17]

In ForecastEx's August 8, 2024 comment letter, ForecastEx proposed a four-part test to evaluate the hedging and price-basing utility of a given contract.[18] The Commission should adopt this framework when evaluating the public interest factors associated with event contracts.

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[11] 91 CFR 12516, 12520 "7. As described above, CEA section 5c(c)(5)(C) provides for the Commission to make a determination that event contracts are ''contrary to the public interest'' if the event contracts involve any of five listed activities or ''other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest.'' 52 In general, what factors should the Commission consider in making a public interest determination under this section? (Public interest factors specific to the five listed activities are discussed in part II.C., below, in connection with those activities.)"

[12] ForecastEx LLC, Comment Letter on Event Contracts in Certain Excluded Commodities (Aug. 8, 2024)

[13] Ibid, 2024 Comment Letter, pg 9.

[14] Ibid, 2024 Comment Letter pg 9-11.

[15] Ibid, 2024 Comment Letter pg 11-14.

[16] Ibid, 2024 Comment Letter pg 14-15.

[17] 91 CFR 12516, 12521 "10. What role do event contracts play in ''managing and assuming price risks, discovering prices, or disseminating pricing information'' as contemplated by CEA section 3(a)? How are event contracts used in hedging, which is one aspect of managing price risks? How should the Commission incorporate considerations of hedging, price risk, price discovery, and price dissemination in its public interest determination under CEA section 5c(c)(5)(C)?"

[18] Ibid, 2024 Comment Letter, pg-13-14. "There are four criteria that the Commission should be evaluating when determining if the price-basing function of an event contract contributes to the public good. First, does the event contract generate information that is useful for businesses when planning their future decisions? This is akin the classic formulation of price-basing in futures

II.B. Contracts That May Involve Unlawful Activity[19]

ForecastEx respectfully refers the Commission to the framework outlined in our 2024 comment letter, in which we recommended a clear and administrable standard for evaluating contracts that may involve unlawful activity. Specifically, we proposed that the Commission assess: "Does the contract create an actionable financial incentive for an individual or entity to attempt to change the outcome of the contract by committing acts of violence or engaging in illegal activity?"[20]

We continue to believe this standard provides a more effective and principled basis for analysis than an approach focused on identifying and reconciling potentially applicable Federal and State laws. The latter inquiry is inherently complex and indeterminate, given the breadth and variability of such laws across jurisdictions.[21] By contrast, an incentive-based standard directly targets the core regulatory concern

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markets. A farmer may use the futures prices of agricultural goods to determine the future supply and demand on various crops, which is a useful informational input when determining which crops should be planted in a given year. Similarly, a business can glean information from various event contracts to determine their optimal strategy. For example, an event contract on retail sales would provide a useful input for a business deciding whether or not to expand its operations as retail sales projections can be used to forecast future demand for goods. Second, does the event underlying the contract provide information that impacts the pricing of other financial products? This is similar, though subtly different than evaluating the hedging utility of a contract. For example, an event contract on whether or not a recession will occur within a given timeframe would provide useful information to an investor who is trying to determine whether or not equities are overvalued regardless of whether they were attempting to hedge equity exposure. Third, does the event contract provide valuable information to the non-investing public? The informational benefits that an event contract provides are not necessarily limited to individuals who are actively involved in financial markets. For example, an event contract based upon the number of manufacturing jobs could provide factory workers with valuable insight into their job security over the medium to long run regardless of their investment portfolios. Finally, does the event contract provide information that will be valuable to policymakers? For example, an event contract based on the amount of CO2 in the atmosphere would provide policymakers with estimates of future carbon emissions, provide a clear estimate of the public's belief on the future trajectory of global warming, while also providing an estimate of future pollution levels, all of which would be valuable to a policymaker determining climate policy. If the answers to any of the four criteria is yes, that should be weighed in favor of the contract in the Commission's public interest analysis. A contract in which multiple criteria are weighted positively is highly unlikely to be contrary to the public interest. The above approach is reinforced by examining the excluded commodities described in CEA section 1a(19)(i). Contracts on these excluded commodities, which Congress identified as in the public interest due to their exclusion from 40.11 reviews, are likely to provide significant informational benefits and reductions in uncertainty for businesses, investors, the general public, as well as policymakers. Any of the contracts that the CFTC has identified as falling under Section 1a(19)(i) exclusion would show significant price-basing benefits under the criteria proposed above. This demonstrates that our proposed approach is consistent with congressional intent. Evaluation of the price-basing or informational value of an event contract should be a critical piece of any public interest analysis."

[19] 91 CFR 12516, 12521 "16. The first listed activity is an "activity that is unlawful under any Federal or State law." What types of event contracts could potentially involve such activity? What steps should the Commission appropriately take in order to determine which State laws may be involved in a particular event contract? What steps should the Commission appropriately take in order to determine which Federal laws, such as the Exchange Act, may be involved in a particular event contract? If an event contract involves an activity that is unlawful under some State laws, but not others, how should this conflict be resolved? What public interest factors should the Commission consider for event contracts involving unlawful activity?"

[20] Ibid, 2024 Comment Letter, pg. 21.

[21] Ibid, 2024 Comment Letter, pg. 25-26 "the Commission should recognize that the intricacies of overlapping and competing state laws are a complicated topic not suited for universal prohibitions. Whether or not a contract

underlying the statutory categories—namely, whether a contract structure could encourage conduct that is contrary to the public interest.

This framework can be applied consistently across categories such as unlawful activity, war, terrorism, and assassination. Under this approach, a contract would be considered contrary to the public interest where it creates a meaningful and actionable incentive for participants to engage in such conduct. Conversely, where no such incentive exists, the mere fact that an underlying event may relate to activity that is unlawful in some jurisdictions should not, by itself, be determinative.

Accordingly, we believe the Commission should focus its analysis on whether a contract meaningfully incentivizes harmful or unlawful behavior, rather than on the number or type of laws that may be implicated across jurisdictions. This approach would provide greater clarity, consistency, and administrability, while remaining aligned with the purposes of the Commodity Exchange Act.

II.C. Different Types of Gaming Contracts[22]

ForecastEx believes that contracts involving the economics surrounding the gaming industry present risk profiles more similar to contracts based on macroeconomic indicators than other contracts within the gaming remit. Please see section VII. of ForecastEx's 2024 comment letter.

III. Inside Information and Market Manipulation

The Commission requests comment on whether there is public interest utility in allowing people with an asymmetric information advantage to trade.[23] There is clear public interest value in allowing participants with informational advantages to trade in prediction markets. Market prices are formed through the aggregation of diverse information sets, and participants who possess superior models, analysis, or insights contribute meaningfully to that process. For example, in areas such as weather forecasting or macroeconomic analysis, participants may develop more accurate predictive models than the broader market. Their trading activity incorporates that information into prices, improving overall market accuracy and enhancing the informational value of the market for all participants.

More broadly, some degree of informational asymmetry is an inherent and necessary feature of any functioning market. Participants inevitably operate with different data, models, and perspectives, and it is precisely this diversity of views that enables markets to aggregate information effectively. The public interest utility of prediction markets is therefore enhanced—not diminished—by allowing informed participants to trade, provided that appropriate safeguards are in place to prevent the misuse of unlawfully obtained information.

At the same time, the Commission should distinguish between legitimate informational advantages and the misuse of material non-public information obtained in breach of a duty of confidentiality. The latter

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involving activity that is unlawful under state law is contrary to the public interest should be determined on a case-by-case basis."

[22] 91 CFR 12516, 12521 "f. How do the various types of event contract that involve gaming differ from each other? How are these differences relevant to the Commission's public interest determination?"

[23] 91 CFR 12516, 12522 "29. Is there some public interest utility if people with an asymmetric information advantage on a particular event contract are able to trade on prediction markets? Does the public interest utility depend on the type of event in question?"

raises concerns analogous to insider trading in securities markets and should be addressed through appropriate surveillance and enforcement mechanisms.

Importantly, concerns regarding the misuse of material non-public information can be addressed through well-established surveillance and enforcement frameworks similar to those used in securities markets. There is nothing inherent to prediction markets that would make such tools inapplicable. Trading patterns indicative of insider activity—such as concentrated positions, abnormal timing, or trading ahead of key disclosures—can be monitored through standard market surveillance techniques. In addition, exchanges can implement rules prohibiting trading by individuals with decision-making authority or access to confidential information, along with information barrier requirements and reporting obligations. These mechanisms, which are routinely employed in other regulated markets, provide a practical and effective means of detecting and deterring improper use of non-public information in prediction markets.

III.A Contracts whose outcome depends on a small group or single individual[24]

The fact that certain events may be determined by a single individual or a small group is a relevant consideration, particularly with respect to information asymmetries and the potential for misuse of non-public information. In such cases, individuals with advance knowledge of the outcome may possess a significant informational advantage. ForecastEx does not view this type of activity as materially different from insider trading. As a result, it is appropriate for designated contract markets ("DCMs") to maintain rules that prohibit such individuals from trading, particularly where they are subject to a duty to maintain the confidentiality of that information. This is consistent with longstanding approaches in other regulated markets.

In many cases—such as contracts tied to government decisions, regulatory actions, or corporate disclosures—individuals with advance knowledge of outcomes will be subject to clear legal or professional obligations to keep that information confidential. Trading on such information can be addressed through existing anti-fraud and anti-manipulation authorities, including Commission Rule 180.1.

There may also be a narrower set of event contracts where confidentiality obligations are less clearly defined by law, such as contracts related to awards, entertainment outcomes, or prepared public remarks. In these circumstances, exchange rules may serve as the primary mechanism restricting trading by individuals with advance knowledge. To promote consistency and deter misconduct, the Commission may wish to clarify that trading on material non-public information in breach of such rules—or in a manner that is otherwise deceptive—can fall within the scope of a "manipulative or deceptive device or contrivance" under Rule 180.1.

Finally, we note that restricting trading by individuals with direct control over, or advance knowledge of, an event's outcome does not undermine the predictive value of these markets. Prediction markets derive

[24] 91 CFR 12516, 12522 "30. Some events underlying event contracts are under the control of a single individual or small group of individuals. What role should this aspect of event contracts play in the Commission's consideration of how prediction markets should be regulated? Do the considerations change depending on the type of event in question? Are there particular challenges related to cross-market manipulation—for example, where an individual or small group of individuals seeks to move the prediction market to influence another market, or vice versa? Are prediction markets more likely than other DCMs or SEFs to be susceptible to manipulation? Why or why not?"

their accuracy from the aggregation of diverse information, analysis, and expectations across participants. The exclusion of a narrow set of insiders does not materially impair this process.

III.B Participation by Electoral Candidates

The Commission should consider allowing electoral candidates to take positions in election prediction markets that pay out if they win their election (i.e., take Yes positions on themselves). Permitting candidates to take limited positions in contracts tied to their own electoral outcomes can be consistent with the core informational function of CFTC-regulated prediction markets. These markets are designed to aggregate dispersed information, including privately developed insights such as proprietary polling, expert analysis, and strategic assessments. Candidates, as highly informed participants, possess information that is directly relevant to the probability of electoral outcomes. Absent fraud or misrepresentation, the incorporation of such information into market prices may enhance, rather than detract from, price accuracy. Trading by candidates would not breach any duty of confidentiality, and a categorical exclusion of candidates risks removing a meaningful source of relevant information from the market.

Concerns regarding incentives or market integrity can be addressed through appropriately tailored safeguards rather than a blanket prohibition. Limiting candidate participation to contracts tied to their victory would preclude candidates for betting against themselves and then throwing the election intentionally — the most direct moral hazard. Additional measures, such as position limits, enhanced disclosure requirements, and ongoing surveillance under existing anti-manipulation authorities, provide further tools to manage risk. In well-functioning markets with sufficient liquidity, the potential for sustained price distortion is limited, as other participants are incentivized to arbitrage away mispricings. Accordingly, a narrowly constructed framework permitting candidates to "bet on themselves," subject to clear constraints, can align with both market integrity principles and the broader objective of improving informational efficiency in prediction markets.

IV. Conclusion

Prediction markets have the potential to serve as valuable tools for risk management, price discovery, and information aggregation across a wide range of economic and societal issues. By adopting clear, administrable standards—such as those outlined in this letter—the Commission can foster the continued development of these markets while ensuring that appropriate safeguards remain in place.

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ForecastEx appreciates the opportunity to provide input on this important topic and would welcome continued engagement with the Commission as it considers the next steps in this process. If the Commission has any questions regarding this letter, please feel free to contact me through email at gdeese@forecastex.com.

Respectfully,





Graham Deese
Chief Regulatory Officer
ForecastEx LLC