April 30, 2026
Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street
NW Washington, DC 20581

Dear Secretary Kirkpatrick,

Thank you for the opportunity to comment on the Commission's advance notice of proposed rulemaking concerning prediction markets and event contract derivatives (RIN 3038-AF65). I write as a prediction market user, researcher, and commentator.

Although this rulemaking concerns event contracts generally, this comment focuses primarily on sports event contracts. By the platforms' own reporting, sports contracts account for roughly 90 percent of trading volume on the largest U.S. prediction markets, are the contracts most actively marketed to retail customers, and present the most acute customer protection issues. Several of the recommendations apply equally to other categories of retail-facing event contracts.

The exchange model has various merits, but the dominant implementations of that model currently fall short of those merits in fixable ways. The recommendations below attempt to close those gaps without restricting what or how Americans can trade.

Empowering Americans to participate in these markets requires venues where real price competition can occur. Related questions about market microstructure (fee design, maker-taker dynamics, the concentration of market-making activity in affiliated entities) bear directly on whether the customer benefit promises of the exchange model are realized in practice. This comment does not propose specific rules on those questions, but the Commission should treat them as central to any rulemaking.

I. The benefits of prediction markets

The exchange model can be fairer and more desirable for participants than the bookmaker model. Lower hold rates, no operator incentive to suppress sharp customers, and peer-to-peer competition are customer benefits the bookmaker model cannot deliver. State-licensed online sports betting has moved in the opposite direction over the past several years: limiting winners, pushing higher-margin parlay products, and converting the customer relationship into one where the only sustainable customers are those losing big.

That trajectory is partly a product of the state regulatory framework itself. High state taxes, the federal excise tax, expensive and complex market-access requirements, and balkanized state-by-state exchange liquidity have created an environment in which only high-margin,

house-style products can sustain themselves at scale. A federally regulated exchange does not face those same constraints.

This comment does not propose banning speculation, prohibiting prediction markets, or imposing burdensome tax structures or fee caps. It proposes a small set of structural and user-side rules designed to make these products work the way their defenders say they should.

II. Where current implementations fall short

Two problems in the current prediction-market landscape are addressable through the Commission's rulemaking authority without restricting what users can trade.

A. Brokerage integration

For a large majority of users, the most important difference between a state-licensed online sportsbook and a CFTC-regulated prediction market is the distribution channel, not the product itself.

Event contracts integrated into general-purpose retail brokerage applications skip the steps that retail-facing speculative products typically require: separate wallets, separate funding flows, and a dedicated event-contract account-opening acknowledgment. The brokerage account is already open, the money is already there, and the contract is accessible alongside stocks and ETFs through the same interface.

At Robinhood, the largest U.S. retail brokerage, event contracts are the fastest-growing product line in company history, on pace to generate more than $300 million in user fees this year. Other brokerages are following suit.

For retail customers using event contracts primarily for speculation or entertainment, these products are negative-sum after fees—a fact the platforms' marketing rarely acknowledges. The platform takes a cut of every transaction in the form of fees, and its market makers, who would not participate otherwise, must be net winners against retail flow over time. The underlying pot of money does not grow; after fees, speculative retail participants lose in aggregate to the exchange, market makers, and other net winners. The size of those losses matters: currently, headline taker fees on the dominant retail-facing prediction markets run much higher than on a typical derivatives exchange, and the effective hold paid by retail customers is often higher still.

Per-trade hold is only part of the picture. Many of the contracts that draw heaviest retail attention (in-play sports markets, short-duration political and economic markets, novelty markets) resolve in minutes or hours rather than days or weeks. The products are also designed and marketed to encourage active in-and-out trading during an event, with customers buying and selling positions repeatedly rather than entering and holding a single one. Both factors push trade count up: a retail customer placing many short-resolution trades, or actively trading in and out of a longer one, pays the per-trade fee many times in a single session, and aggregate losses scale with the

number of trades. The empirical record on negative-sum retail markets (sports betting, retail options, retail day trading) is consistent across decades: the large majority of customers lose money, and the small share who do not are typically professional or semi-professional.

This is not unique to prediction markets. State-licensed sports betting, lotteries, casino gaming, and a number of other regulated products share the same negative-sum structure, and many Americans participate in them responsibly. The fact does not by itself settle how prediction markets should be regulated, and this comment does not argue it should. But it is a fact, and it should be part of the Commission's consideration, particularly when considering various distribution mechanisms.

A retail brokerage application is, ostensibly, a tool for long-term wealth-building: a vehicle for buying assets whose value can grow and contribute to savings and investment accounts that compound over decades. Putting a negative-sum product on the same screen, in the same wallet, with the same one-tap convenience as a retirement contribution is not a neutral design choice. The case for treating these products differently on retail brokerage applications goes beyond friction; it is about recognizing that two different categories of product are being placed on the same shelf.

The customer-protection architecture inherited from derivatives-market origins was not designed for general-purpose retail distribution at this scale. The Commission's framework should treat distribution through a brokerage application as categorically distinct from stand-alone exchange operation.

B. The certification regime

Under the current self-certification regime, a designated contract market may list virtually any contract one business day after notification, with no prior Commission review. By the Commission's own count, the number of certified event contracts went from roughly five per year between 2006 and 2020 to approximately 1,600 in 2025.

Many of these contracts list resolution criteria too vague to be administered without operator discretion. Public examples include novelty and entertainment markets where the underlying "event" cannot be objectively verified, markets on outcomes determined entirely by a single individual's choice, and weather and scientific contracts whose settlement source is unclear. Contracts on undefined events cannot perform effective price discovery; resolution disputes are frequent and consume Commission time; and the certified-contract docket fills with markets no serious participant would describe as having public-interest utility.

The Commission has separately indicated that staff are working on guidance for how event contracts may be listed and traded under the CFTC's existing statutory framework. The recommendations in Section III.B offer concrete suggestions for that guidance.

III. Recommendations

A. Distribution-channel rules

These reforms address the brokerage-integration problem described in Section II.A.

First, **separate applications**. The cleanest architecture is one in which event contracts are offered through a separate application from securities and retirement accounts, with separate wallets and separate identity-verification flows.

Second, **in-app standards where separate applications are not in place**. Where a single platform integrates event contracts inside an application that also offers self-directed securities or other investment products, event-contract balances and transactions should be presented in a clearly demarcated section, with no cross-promotional surfaces (push notifications, home-screen tiles, banner placements) displaying event contracts on screens that show investment balances. Customers should also be required to take an affirmative funding step to move money from a securities or banking balance into an event-contract balance. The transfer can be instant, but it should require an explicit user action.

Third, **user-configurable category opt-outs**. Regardless of the broader architecture, customers should be able to disable specific contract categories from their own interface, including sports, combinations or multi-leg products, sub-one-hour-resolution markets, novelty or entertainment markets, and event contracts entirely as a category.

Fourth, **distribution-channel disclosure**. The first time a retail customer views or trades an event contract on an integrated brokerage application, and at least once annually thereafter, the customer should see a clear disclosure that event contracts are negative-sum derivatives from which the average customer is expected to lose money over time. The disclosure should appear in-context on the trading surface, not buried in account-opening paperwork.

B. Contract certification reform

These reforms address the proliferation problem in Section II.B.

First, **prior approval rather than self-certification for novel contract categories**, defined as contracts that do not fall within a category for which the Commission has issued a category-level public-interest determination. Self-certification works for incremental additions to established product categories. It does not work for entirely novel categories of underlying events.

Second, **category-level public-interest determinations**. The Commission should issue category-level guidance on which event-contract categories do and do not involve the listed activities under the Commodity Exchange Act's public-interest provisions.

Third, **a resolution-criteria specificity standard**. Contracts should be required to specify resolution criteria with precision sufficient to permit rule-based settlement without operator

discretion: a reviewer who does not work for the platform should be able to determine the resolution from the contract specification and the underlying event. Markets whose resolution depends on what the platform considers "performance," for example, should not pass.

Fourth, **a public list of certified contracts**, with resolution criteria, settlement source, and resolution status. Making the list searchable and downloadable in a standard format would help researchers, journalists, and other participants track how the certified-contract docket is evolving.

C. User defaults

The default settings on a retail-facing platform shape user behavior more than the design of the underlying tools. New retail customers should begin with deposit, loss, and session-length limits set at sensible defaults; users may modify or remove the defaults in seconds, but should be required to do so affirmatively. Behavioral evidence from adjacent regulated retail markets shows that fewer than two percent of users currently set such limits when they are opt-in, despite consistent evidence that limits often reduce harm when used. Opt-out defaults dramatically increase adoption without restricting any participant's choices.

D. Demographic and operational data transparency

The major U.S. prediction-market platforms currently allow customers as young as 18, while state-licensed sports betting in most states requires customers to be 21 or older. There is a strong case that the minimum age for sports, gaming-adjacent, and other short-resolution retail event contracts should be raised to 21. If the Commission does not raise the minimum age, the platforms should at minimum be required to provide clear, public data on usage by 18-to-20-year-olds.

DCMs offering event contracts to retail customers should be required to report the following on a recurring basis, with data broken down by age cohort:

- Number of accounts;
- Gross trading volume;
- Net fee revenue;
- Net customer P&L;
- Average account lifetime;
- Share of accounts whose lifetime P&L is negative; and
- Share of total platform fee revenue attributable to the top one percent of accounts by losses.

These data already exist in the platforms' internal systems. Making them public would let retail customers, researchers, the Commission, and the public evaluate the platforms and the regulatory regime around them with access to the same information.

E. Advertising and affiliate marketing

The leading prediction-market platforms are generating billions of digital advertising impressions every month. Branded-ticker partnerships now place real-time event-contract odds on cable news broadcasts.

The Commission should adopt advertising standards that take seriously the negative-sum nature of these products. Marketing on college campuses or to college student organizations is unjustifiable for products with this structure and customer profile. There is a mismatch between the structural nature of these products and some of the language commonly used to market them: short-resolution contracts are sometimes described in the vocabulary of long-term investing, and the Commission should scrutinize whether marketing for these products accurately represents what customers are buying.

A particularly concerning channel is paid social-media affiliate marketing. Audiences see paid promoters rather than branded ads, often without clear disclosure of the financial relationship. Promoter content frequently shows winnings without disclosing the share of customers who lose, often misrepresents how the products work, and reaches very young audiences. The Commission should require DCMs to adopt and enforce affiliate-marketing rules requiring clear, in-post disclosure of paid relationships, with platform-enforced penalties for noncompliance and a minimum age of 21 for any promoter participating in an affiliate program.

IV. Conclusion

The choices the Commission makes in this rulemaking will determine whether prediction markets deliver on the case their defenders make for them. The reforms proposed here are an attempt to ensure they do.

I would welcome the opportunity to discuss any of the above. Thank you for your consideration.

Sincerely,

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