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Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
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1155 21st Street NW,
Washington, DC 20581

File no: RIN 3038-AF65 "Prediction Markets"
APRIL 30, 2026

Dear Mr. Kirkpatrick,

We are submitting this comment letter in response to the CFTC's Advanced Notice of Proposed Rulemaking ("the ANPRM") dated March 16, 2026 in connection with the above RIN.

Introduction

Optiver is a global market maker firm that has been improving financial markets since 1986. By providing liquidity to markets across the globe, including in CFTC-regulated markets in the United States, we make them more efficient, transparent and stable. We are not currently active in prediction markets; however, we are active in highly correlated markets and actively monitor developments in this space. In the interest of market improvement, we offer the following comments.

We believe that well-designed prediction markets can be a valuable complement to existing derivatives markets. By aggregating dispersed information, such markets can enhance price discovery, improve the dissemination of information, and provide meaningful tools for hedging and risk management. When structured appropriately and tailored to key economic indicators that could be measurably improved, they can serve as a useful measure of economic expectations, alongside more traditional financial instruments.

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This ANPRM represents a broad policy reset by the Commission on prediction markets. Historically, the Commission has been focused on the question of stepping in to review event contract listings pursuant to its authority under Section 5c of the Commodity Exchange Act ("CEA") and Section 40.11 of its regulations.[1] The ANPRM, by contrast, proceeds from the premise that event contracts already fall within the CEA's derivatives framework. As such, the central policy question is no longer whether these products belong within the regulatory perimeter, but whether the Commission's existing rules remain adequate as these markets expand in scale, scope and complexity—including their margin and risk characteristics.

Discussion

As these markets mature, and the Commission engages in crafting rules to govern them, we urge the adoption of three key guiding principles: preserving trust in self-certification via the requirement to self-certify compliance with all Core Principles, containing risk through thoughtful clearing design, and maintaining structural checks and balances.[2]

First, the Commission should reaffirm and, where necessary, strengthen the role of the Core Principles with respect to applicable designated contract markets ("DCMs") by requiring self-certification of compliance with all, and not a subset of, the Core Principles. Congress designed the U.S. federal derivatives framework around a model in which exchanges act as Self-Regulatory Organizations ("SROs"), subject to Commission oversight. This framework relies on a fundamental premise: market participants must be able to trust that exchanges will maintain orderly, liquid, fair, and financially sound markets.[3] To that end, Congress established a comprehensive set of Core Principles governing exchange conduct,[4] and, through the Commodity Futures Modernization Act of 2000, empowered exchanges to self-certify that new products comply with those Core Principles.[5]

This self-certification authority reflects a deliberate policy choice to place primary responsibility on exchanges based on the assumption that their long-term commercial interests are aligned with

[1] 7 U.S.C. 7a-2c(c)(5)(c), 17 CFR 40.11.
[2] Please note that this letter does not respond to each individual question posed in the ANPRM, but instead focuses on broader themes implicated by the maturation of these markets. To the extent the ANPRM raises questions regarding what is in the public interest, we believe those determinations are most appropriately made by elected or appointed policymakers rather than market participants.
[3] *See 7 U.S.C. 7a-2c*
[4] 7 U.S.C. 1a *et seq.*, 17 CFR 38
[5] 7 U.S.C. 7a-2c *et seq.*

maintaining market integrity. However, the ANPRM raises the question of whether only a subset of the 26 Core Principles are relevant to prediction markets. While certain core principles—particularly those related to market integrity and manipulation—may be especially salient for event contracts, all Core Principles play an important role in ensuring that listed products meet the standards expected of U.S. derivatives markets.

Recent market developments underscore the importance of this comprehensive approach. In 2025, registered DCMs listed event contracts with outcomes that were decided by the actions of a single individual or small group of individuals,[6] contracts with ambiguous settlement terms,[7] and sports-related event contracts that have resulted in ongoing litigation around the country.[8] At the same time, some exchanges appear to have prioritized the "virality" of contract concepts—often sourced from online communities—over strict adherence to core regulatory principles.[9] These trends raise legitimate questions about whether self-certification has been exercised with sufficient rigor, particularly in products targeted at retail participants.

The Commission should clearly underscore the importance of adhering to Core Principles and, where exchanges fall short in the self-certification process, take appropriate regulatory action to ensure accountability. Without such measures, there is a risk that confidence in the self-certification regime could erode over time.

Second, the Commission should establish a clear and robust framework for the clearing and settlement of margined prediction market contracts. We note that the ANPRM contemplates this issue, including through its discussion of a potential "clearing silo" for these products. As prediction markets

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[6] *The 'Mentions' Market Tries to Predict the Unpredictable: Trump's Next Words,* Wall St. J. (Feb. 2026), https://www.wsj.com/finance/investing/what-will-trump-say-next-prediction-market-traders-are-betting-on-it-3209bdc0; *see also, Coinbase CEO Was Having "a Little Fun" When He Trolled Prediction Markets by Rattling Off 5 Words on an Earnings Call*, Bus. Insider (Dec. 2025), https://www.businessinsider.com/coinbase-ceo-earnings-call-words-prediction-markets-bets-2025-12

[7] Mariapaula Gonzalez, *Kalshi Says Its Super Bowl Trading Topped $1 Billion—Then a Cardi B Controversy Erupted*, Inc. (Feb. 10, 2026), https://www.inc.com/mariapaula-gonzalez/kalshi-says-its-super-bowl-trading-topped-1-billion-then-a-cardi-b-controversy-erupted/91300453; *Khamenei 'Out' Market Becomes Legal Headache for Kalshi*, Fin. Magnates (Mar. 2026), https://www.financemagnates.com/fintech/khamenei-out-market-becomes-legal-headache-for-kalshi/.

[8] *See* Steven Petrella, *Tracking Every Prediction Market Lawsuit Involving Kalshi, Polymarket & Other Operators*, Action Network (Mar. 25, 2026), https://www.actionnetwork.com/education/tracking-prediction-market-lawsuits.

[9] *Polymarket Seeks Parlay Ideas on Discord*, Yahoo Sports, https://sports.yahoo.com/article/polymarket-seeks-parlay-ideas-discord-193200530.html; *How Sex Toys Thrown at WNBA Games Revealed a Weird Window into Online Culture and Opened Old Wounds for Women's Sports*, KTVZ (Aug. 8, 2025), https://ktvz.com/sports/cnn-sports/2025/08/08/how-sex-toys-thrown-at-wnba-games-revealed-a-weird-window-into-online-culture-and-opened-old-wounds-for-womens-sports/; "Is Earth Flat?" *Polymarket*, 21 Mar. 2025, https://polymarket.com/event/is-earth-flat-2025; *Will Jesus Return by 2026? Prediction Markets Are Taking Real Money Bets on the Second Coming!*, Times of India (Jan. 9, 2026), https://timesofindia.indiatimes.com/etimes/trending/will-jesus-return-by-2026-prediction-markets-are-taking-real-money-bets-on-the-second-coming/articleshow/126425750.cms

mature and expand, they are likely to be listed alongside more traditional futures and swaps on established exchanges, many of which rely on well-developed default management frameworks.

In this context, it is critical to ensure that risks arising from prediction markets do not create contagion for existing derivatives markets. The Commission, in coordination with DCMs and derivative clearing organizations (DCOs), should carefully consider whether risk segregation mechanisms—such as product-specific margining and the clearing silo concept—are necessary to protect the integrity of broader clearing systems.

The Commission should carefully evaluate proposals for vertically integrated market structures in prediction markets. The traditional U.S. derivatives model separates the roles of exchanges, clearinghouses, and intermediaries (futures commission merchants, or FCMs).[10] This separation creates a system of checks and balances that has contributed to the resilience and stability of these markets over time. We note the presence of internal market makers at several exchanges and must raise concern over the potential conflicts of interest inherent in such arrangements. A diverse set of market makers contributes to overall market health when competing on a level playing field, but where a market maker is controlled by the exchange itself there are a broad array of methods that an exchange could use to advantage its own market maker against competitors, and the incentives to do so strike us as impossible to mitigate. Vertically integrated models that combine execution, clearing, and intermediation—and potentially include proprietary liquidity provision—risk blurring these lines and introducing conflicts of interest. Collapsing these functions into a single entity may weaken the incentive structures that currently promote fair access, robust risk management, and customer protection. Where such models are proposed, the Commission should consider imposing additional safeguards to replicate the protections inherent in the traditional, functionally separated framework.

Finally, we reiterate our prior view that the Commission should revisit the de minimis threshold for swap dealer designation with respect to all cleared swaps.[11] As a subset of these assets, prediction markets tied to economic indicators or other widely traded outcomes may develop increased institutional participation. In a margined, cleared, environment liquidity providers could quickly

[10] For further discussion see: *Diversity Is Strength in U.S. Derivatives Markets*, Optiver, https://optiver.com/insights/diversity-is-strength-in-us-derivatives-markets/ (last visited Mar. 27, 2026).
[11] *Enhancing Swaps Liquidity Through Targeted Reforms*, Optiver (May 21, 2025), https://optiver.com/insights/enhancing-swaps-liquidity-through-targeted-reforms/

approach the current $8 billion notional threshold, potentially triggering regulatory obligations that are not well-tailored to these products.

As we have previously argued, central clearing substantially mitigates counterparty credit risk, reducing the need for swap dealer capital requirements in this context. Likewise, the standardized and exchange-traded nature of these particular instruments lessens the relevance of certain business conduct requirements. If left unchanged, the current threshold may inadvertently discourage market-making activity, limiting liquidity and impeding market development, and in extreme market conditions could lead to a liquidity crisis affecting end-users and customers.

We encourage the Commission to take regulatory action, either through a rulemaking or no action relief, to exempt all cleared swaps, including, but not limited to prediction market swap products, from the de minimis calculation.

Conclusion

Prediction markets have the potential to become a meaningful and constructive component of the U.S. derivatives ecosystem. Realizing that potential will depend on maintaining the institutional strengths that have long underpinned U.S. markets: clear rules, robust risk management, and strong incentives designed to preserve market integrity.

The ANPRM appropriately recognizes that these products now sit within the CEA framework. The Commission's task, therefore, is to ensure that this framework evolves in a way that supports innovation without compromising its foundational principles. In our view, that requires reaffirming the full scope of DCM Core Principles and strengthening the self-certification regime where necessary; establishing clear and prudent clearing and risk segregation standards; ensuring that regulatory thresholds do not unintentionally deter liquidity provision; and preserving the checks and balances embedded in traditional market structure.

Taken together, these steps would help ensure that prediction markets develop in a manner that is transparent, resilient, and worthy of market participant trust. We appreciate the opportunity to provide our views and would welcome continued engagement with the Commission on these important issues.

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Sincerely,

Matthew MacKenzie
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