Prediction markets should not exist. No regulatory framework can make these instruments safe for public trading. The harms they enable are not bugs to be fixed through compliance: they are inherent features of a system that monetizes asymmetric information, manipulates public discourse, and incentivizes the corruption of democratic and economic institutions. The documentary record demonstrates these harms in action: insider trading using classified information, political candidates betting on their own elections, traders profiting from military conflicts and assassinations, and platforms explicitly designed to concentrate narrative control while enriching their owners. When platform operators convicted of serious financial crimes are pardoned and subsequently integrated into political-business alliances, enforcement is not merely weakened: it is negated, and criminal behavior is actively rewarded. Federal regulatory capacity has been systematically dismantled, eliminating the infrastructure required to police these markets, while accountability has become selective: applied to those without political protection while connected actors receive pardons and partnerships. The cryptocurrency market provides a cautionary parallel: despite over a decade of regulatory attention, billions of dollars in enforcement penalties, and high-profile prosecutions, fraud, manipulation, and sanctions evasion continue at scale. Prediction markets share cryptocurrency's structural vulnerabilities while adding unique dangers to democratic institutions, national security, and public trust. The only appropriate regulatory response is prohibition.

I. DOCUMENTED ABUSES: PREDICTION MARKETS FAIL IN PRACTICE

The Notice treats insider trading, manipulation, and conflicts of interest as regulatory challenges to be solved. The empirical record demonstrates these are inherent, unsolvable features of prediction markets:

A. Insider Trading Using Classified Military Intelligence

In April 2026, the CFTC filed its first-ever insider trading complaint involving event contracts against Gannon Ken Van Dyke, an active-duty U.S. Army Special Forces master sergeant. According to the CFTC complaint, Van Dyke used classified nonpublic information regarding "Operation Absolute Resolve" (a U.S. military operation to capture former Venezuelan President Nicolás Maduro) to place bets on Polymarket, netting approximately $409,000 in profits.[1][2][3]

Key facts from the case:
- Van Dyke was directly involved in planning and executing the operation
- He purchased more than 436,000 "Yes" shares on the "Maduro Out by January 31, 2026?" contract between December 30, 2025 and January 2, 2026
- The operation was executed in the predawn hours of January 3, 2026
- Van Dyke traded under the handle "Burdensome-Mix" to obscure his identity
- The CFTC invoked the "Eddie Murphy Rule" (CEA Section 4c(a)(4)), which prohibits trading on material nonpublic information obtained through government service[1]

This case is not an anomaly: it is proof of concept. Prediction markets create direct financial incentives for individuals with access to nonpublic information to monetize that access. As the CFTC's own Director of Enforcement stated in March 2026, the idea that insider trading is "permissible" in prediction markets is a "myth," yet the Van Dyke case demonstrates that detection occurs only after the fact, if at all.[3]

B. Political Candidates Betting on Their Own Elections

In April 2026, Kalshi suspended and fined three political candidates for "political insider trading" (betting on the outcomes of their own campaigns):[4][5][6]

- Matt Klein (D), Minnesota state senator and congressional candidate: Fined and suspended for betting $50 on his own race. Klein told local media he was "curious about how it worked."
- Ezekiel Enriquez (R), former Texas congressional candidate: Fined and received a five-year ban
- Mark Moran (I), Virginia U.S. Senate candidate: Fined $6,229.30 and given a five-year ban after refusing to accept responsibility

Kalshi's head of enforcement, Robert DeNault, explicitly characterized these trades as "political insider trading" that violated platform rules approved by the CFTC.[5] Yet these trades were not prevented by surveillance systems: they were detected after the fact through internal investigation.

This demonstrates a fundamental problem: prediction markets cannot prevent insiders from trading on information only they possess. A candidate knows their campaign strategy, their health status, their legal vulnerabilities, and their backchannel negotiations better than any external analyst. The financial incentive to monetize that knowledge is structural and unavoidable.

C. War Profiteering and Assassination Markets

Perhaps the most disturbing documented abuse involves traders profiting from military conflict and political assassinations:

1. Iran War Betting: Following Israeli and U.S. military strikes on Iran in early 2026, NPR reported that a Polymarket trader using the username "Magamyman" made more than $553,000 betting on the death of Iran's Supreme Leader Ayatollah Ali Khamenei just before an Israeli strike killed him.[7] The Guardian's investigation revealed traders discussing how to profit from war in real-time, with $280 million in play on U.S.-Iran ceasefire contracts.[8]

2. Systematic Insider Trading on Military Operations: The European Business Magazine reported in April 2026 that Polymarket "priced in the February 28 U.S. strikes on Tehran hours before missiles flew" and that the platform "is being driven, materially, by US military personnel, IDF reservists, and intelligence sources trading on classified information."[9]

3. Venezuela Operations: CNN reported in March 2026 on "well-timed and highly lucrative trades on Polymarket regarding the US-Israeli war in Iran and US military actions in Venezuela" that prompted congressional scrutiny.[5]

These are not gambling losses: they are documented cases of individuals profiting from asymmetric information about military operations, geopolitical conflicts, and political assassinations. The CFTC's Notice asks whether event contracts serve "price discovery" functions (Question 10). The empirical answer is that they serve as vehicles for insiders to monetize classified information and for speculators to profit from human suffering.

D. Market Manipulation Through Narrative Control

The Notice asks about manipulation susceptibility (Questions 2.c, 30-31). Prediction markets are uniquely vulnerable to manipulation because:

1. Low liquidity in niche event contracts allows well-capitalized actors to move prices disproportionately
2. Media citation of prediction market prices as "probability assessments" creates feedback loops where manipulated prices influence public perception

3. Cross-market manipulation opportunities exist where prediction market positions can be used to influence related derivatives or securities positions

The Guardian investigation noted that Polymarket traders were actively attempting to influence the Institute for the Study of War's frontline maps in Ukraine because those maps were used to settle bets: this demonstrates direct attempts to manipulate the underlying data used for contract resolution.[8]

II. TRUTH PREDICT: PREDICTION MARKETS AS INSTITUTIONAL WEAPONS

The announcement of "Truth Predict" in October 2025 illustrates how prediction markets can be explicitly designed to concentrate influence, enrich platform owners, and manipulate institutional trust:

A. Structure and Ownership

Trump Media & Technology Group (DJT) announced a partnership with Crypto.com to launch "Truth Predict," a prediction market integrated directly into the Truth Social platform.[10][11][12] Key characteristics:

- Owned by Trump Media, a politically aligned entity with direct incentives to shape narratives favorable to specific candidates and policies
- Integrated into a social media platform, enabling rapid amplification of favorable market movements to millions of users
- Operated through Crypto.com's CFTC-registered derivatives exchange, providing a veneer of regulatory compliance while concentrating control

As Devin Nunes, Chairman and CEO of Trump Media, stated: "For too long, global elites have closely controlled these markets – with Truth Predict, we're democratizing information and empowering everyday Americans to harness the wisdom of the crowd."[11]

This framing reveals the manipulation playbook: claim to "democratize" while building infrastructure that concentrates narrative control in the hands of platform owners. When the same entity controls both the social media megaphone and the prediction market, the ability to manufacture and amplify "market consensus" becomes unprecedented.

B. Explicit Manipulation Risks

Truth Predict exemplifies concerns that have prompted bipartisan legislative action:

1. Conflict of Interest: Platform owners can profit from events they directly influence through political activity, media coverage, and policy advocacy
2. Narrative Weaponization: Market prices can be manipulated through coordinated social media campaigns, then cited as "objective" validation of political claims
3. Enrichment Mechanism: Platform fees and proprietary trading positions allow owners to extract value from users while shaping outcomes

The New York Times reported in March 2026 that Polymarket's social media feeds had published "hundreds of false and misleading posts," demonstrating how prediction market operators actively disseminate misinformation to influence trading outcomes.[13] Truth Predict would institutionalize this dynamic within a partisan media ecosystem.

C. Congressional Response

The emergence of Truth Predict and similar platforms has prompted a wave of bipartisan legislation:

1. Prediction Markets Security and Integrity Act of 2026 (S. 4060): Introduced by Senators Blumenthal and Kim, this bill would bar individuals and markets from using material nonpublic information, prohibit bets presenting conflicts of interest, and return oversight to states.[14][15]

2. Public Integrity in Financial Prediction Markets Act of 2026: Introduced by Senators Curtis, Slotkin, Young, and Schiff, this bill prohibits federally elected officials and government employees from using insider information to bet on prediction market contracts.[16]

3. Stop Trading On Predictions and Corrupt Bets Act of 2026 (S. 4226): Introduced by Senator Merkley, this bill would amend the Commodity Exchange Act to prohibit certain types of event contracts in prediction markets.[17]

4. Additional bills introduced in March 2026 alone include legislation to ban prediction markets on government actions, war, and events "ripe for rigging," and to ban sports prediction market contracts.[15]

The bipartisan nature of this legislative response reflects growing recognition that prediction markets pose unique threats to democratic integrity that cannot be addressed through traditional market surveillance.

III. PARDONS AND POLITICAL PRIVILEGE: ENFORCEMENT NEGATED

The cryptocurrency market's recent history demonstrates that enforcement does not merely fail to deter financial crimes: it actively encourages them by creating a system where connected actors face no meaningful consequences and are rewarded for criminal behavior.

A. The Changpeng Zhao Pardon

In October 2025, President Trump pardoned Changpeng Zhao (CZ), founder of Binance, the world's largest cryptocurrency exchange. Zhao had pleaded guilty in 2023 to allowing money laundering through Binance, which facilitated financial transfers to sanctioned entities including Iran and organizations designated as foreign terrorists.[32][33][34]

Key facts:
- Zhao's company pleaded guilty to anti-money laundering, unlicensed money transmitting, and sanctions violations
- The White House press secretary characterized Zhao's prosecution as part of a Biden administration "war on cryptocurrency"[32]
- Trump defended the pardon by stating it was issued "at the request of a lot of very good people"[32]
- At the time of the pardon, Trump appeared not to know who Zhao was, telling CNN "I don't know who he is" and "I know nothing about the guy"[33][34]

B. The World Liberty Financial Alliance

Despite Zhao's conviction for enabling sanctions evasion and money laundering, the pardon paved the way for a business alliance between Binance and the Trump family's crypto venture, World Liberty Financial:

- World Liberty Financial, founded by Donald Trump's sons Donald Jr. and Eric Trump along with Steve Witkoff (Trump's special envoy for peace) and his sons, is hosted on the Binance platform[35][36][37]
- A Trump-affiliated LLC owns approximately 38% of World Liberty Financial, which stands to profit from its stablecoin by investing the dollars backing it[37]
- Donald Trump and his three sons now have around $1 billion tied to World Liberty Financial[37]
- Binance holds 87% of the Trump-affiliated stablecoin USD1[38]
- Despite ongoing U.S. military action in Iran and investigations into Binance's sanctions compliance, World Liberty Financial sought to strengthen its relationship with the exchange[37]

C. The Trump Family Crypto Venture

Shortly before taking office, President Trump launched World Liberty Financial, a cryptocurrency venture that generated approximately $5 billion in paper wealth for the Trump family overnight through token sales and partnerships.[39][40] This venture partnered with Binance despite Zhao's conviction for sanctions violations and money laundering, demonstrating how political power enables integration with convicted operators.[37][41] The timing of this launch (immediately before presidential inauguration) and the subsequent pardon of Binance's founder creates an unmistakable pattern: criminal behavior in cryptocurrency markets is not punished when it serves political and financial interests of those in power.

D. The Sam Bankman-Fried Contrast

Sam Bankman-Fried, founder of FTX, who was convicted of fraud and is serving a 25-year sentence, has been explicitly denied a pardon despite publicly courting the Trump administration. The White House stated in February 2026 that Trump "has no intention of pardoning Bankman-Fried," distinguishing between a convicted fraudster who did not align politically and a convicted money launderer who became a useful ally.[31]

This selective clemency demonstrates that accountability is not determined by the severity of crimes or harm caused, but by political utility. Zhao's money laundering (which enabled sanctions evasion by adversarial nations) was forgiven because his platform could be leveraged for political-family financial gain. Bankman-Fried's fraud, which caused $11 billion in customer losses but offered no political utility, remains unpardoned.

E. Implications for Prediction Market Enforcement

The Zhao pardon and subsequent alliance with World Liberty Financial sends a clear message about the futility of relying on enforcement to deter prediction market abuse:

1. Convictions are reversible: Even when the DOJ secures guilty pleas from platform founders, executive clemency can negate consequences
2. Bad actors become allies: Convicted criminals whose platforms serve political or financial interests of those in power are not punished: they are rehabilitated and enlisted
3. Selective accountability: Enforcement targets those without political protection while connected actors operate with impunity
4. Institutional corruption: The integration of pardoned criminals into political-business ventures demonstrates that regulatory bodies cannot be expected to act independently when power structures benefit from abuse

The current structure does not merely fail to disincentivize financial crimes: it directly encourages them. When platform operators observe that convictions can be erased through political alignment, that pardons lead to lucrative business alliances, and that enforcement is selectively applied based on utility rather than culpability, the rational response is to commit crimes while cultivating political protection. Prediction markets will operate under identical incentives: operators will maximize profits through abuse while investing in political relationships that guarantee impunity.

If a convicted money launderer can be pardoned, welcomed into political alliance, and positioned to profit from his convicted enterprise, what deterrent effect can CFTC enforcement possibly have on prediction market operators who align with political power?

IV. THE CRYPTOCURRENCY PARALLEL: REGULATORY FAILURE IN ACTION

Prediction markets share structural characteristics with cryptocurrency markets: decentralized operation, cross-jurisdictional arbitrage, pseudonymous trading, and claims that innovation outpaces regulation. The crypto market's documented history of abuse (despite over a decade of regulatory attention) demonstrates the futility of attempting to regulate rather than prohibit these instruments.

A. The FTX Collapse: $11 Billion in Fraud Despite Oversight Promises

FTX, founded in 2019, grew to a $32 billion valuation while its founder, Sam Bankman-Fried, actively advocated for regulatory frameworks and cultivated relationships with policymakers.[19][20] Despite this engagement with regulators, FTX collapsed in November 2022 after it was revealed that customer funds had been systematically diverted to Alameda Research, a hedge fund also owned by Bankman-Fried.[19][20]

Key lessons from FTX:
- Estimated $11 billion in customer funds were misappropriated[18]
- Bankman-Fried testified before Congress in December 2022, with lawmakers acknowledging that existing regulations failed to prevent the fraud[20]
- Prosecutors continue to cite FTX as a cautionary lesson for financial institutions years after the collapse[21]
- Many investors will never recover their money despite criminal convictions

The FTX case demonstrates that even high-profile, well-funded platforms with stated commitments to compliance can engage in massive fraud when structural incentives allow it. Prediction markets face identical incentive structures: customer funds are at risk, operators have conflicting interests, and surveillance cannot detect all abuses in real-time.

B. Systematic Market Manipulation: Wash Trading and Fake Volume

The SEC has filed multiple enforcement actions against crypto firms for wash trading (simultaneous buy and sell orders that create false impressions of market activity):

- In February 2026, the SEC filed a lawsuit against ZM Quant Investment, Gotbit Consulting, and CLS Global for manipulating cryptocurrency markets through algorithm-driven wash trading, fabricating trading volumes and liquidity to mislead retail investors.[23]
- The DOJ extradited multiple defendants in 2025-2026 for wash trading schemes involving Gotbit, Vortex, and Contrarian-Antier operations.[24]

- Chainalysis's 2026 Crypto Crime Report estimated that $17 billion was stolen in crypto scams and fraud in 2025 alone, with impersonation scams showing 1,400% year-over-year growth.[22]

Wash trading is directly analogous to prediction market manipulation: both involve creating false price signals to deceive other market participants. The persistence of wash trading in crypto (despite clear legal prohibitions and active enforcement) demonstrates that detection and punishment occur only after substantial harm has occurred.

C. Sanctions Evasion and Illicit Finance

Cryptocurrency markets have become vehicles for sanctions evasion and terrorist financing:

- Chainalysis reported that in Q4 2025, Iranian Revolutionary Guard Corps-linked addresses accounted for over half of all value received by Iranian entities, moving more than $3 billion to support regional militia networks.[24]
- The ruble-backed A7A5 stablecoin processed more than $93 billion in less than a year, functioning as a settlement rail for sanctioned actors.[24]
- These funds financed Hezbollah, Hamas, and Houthi networks, facilitating commodities, illicit oil, and arms trafficking at unprecedented scales.[24]

Prediction markets present identical sanctions evasion risks: pseudonymous trading, cross-border operation, and difficulty tracing beneficial ownership. The crypto market's failure to prevent billions in sanctioned transactions despite extensive regulatory attention indicates that prediction markets will face the same challenges.

D. The Enforcement Gap

The crypto market's regulatory history demonstrates a consistent pattern:

1. Innovation in abuse outpaces regulatory response
2. Enforcement actions target specific bad actors after harm has occurred, but do not deter systemic abuse
3. Cross-jurisdictional arbitrage allows platforms to operate from favorable regimes while serving U.S. customers
4. Retail investors bear the costs of fraud and manipulation despite "investor protection" regulations

Chainalysis's finding that $17 billion was stolen in crypto scams in 2025 (years after major exchanges implemented compliance programs) demonstrates that regulation has not eliminated abuse.[22] Prediction markets will replicate these failures while adding unique dangers to democratic institutions.

V. EXISTENTIAL THREATS TO DEMOCRATIC AND ECONOMIC INSTITUTIONS

The documented abuses above are not isolated incidents: they demonstrate existential threats that extend far beyond individual fraud:

1. Democratic Integrity: Event contracts on political outcomes create direct financial incentives for traders to manipulate elections, policy decisions, and geopolitical events. When profit depends on an outcome, some participants will work to ensure that outcome occurs regardless of public welfare. This directly implicates CEA Section 5c(c)(5)(C)(i)(II)-(IV), which lists terrorism,

assassination, and war as activities contrary to the public interest: political manipulation is no less dangerous.

2. Information Ecosystem Corruption: Prediction market prices are cited by media and policymakers as objective probability assessments. This allows well-capitalized actors to manufacture "market consensus" through coordinated trading, then point to that manufactured consensus as independent validation of their preferred narratives. See 2008 Concept Release at 73 FR 25669, 25669 (May 7, 2008), acknowledging prediction markets function as "information aggregation vehicles": precisely what makes them vulnerable to weaponization. [25]

3. Insider Trading as Feature, Not Bug: The Van Dyke case, the Kalshi politician suspensions, the Iran war betting scandals, and the Truth Predict structure demonstrate that prediction markets structurally reward those with nonpublic information. The Notice acknowledges this at Question 29: "trading by these informed participants may lead to manipulation, unfairness, and the misuse of inside information." Questions 30-32 further explore how events "under the control of a single individual or small group" create manipulation vulnerabilities. This is not a regulatory challenge: it is evidence that these markets should not operate.

VI. NO REGULATORY FRAMEWORK CAN MAKE THESE MARKETS SAFE

The Notice asks repeatedly what factors should inform regulation (Questions 1-6, 13-14, 21-22, 27-28). This presupposes that adequate regulation is possible. The documented abuses in both prediction markets and cryptocurrency markets demonstrate otherwise:

- Surveillance limitations: Core Principle 4 requires DCMs to "prevent manipulation, price distortion, and disruptions" through surveillance (CEA Section 5(d)(4)). Yet the Van Dyke case was detected only after he profited $409,000 from classified intelligence. The Kalshi politician bets were detected only after the fact through internal investigation. The crypto market continues to see $17 billion annually in fraud despite sophisticated surveillance systems. Real-time monitoring cannot detect all coordinated manipulation, particularly across multiple platforms or when traders act on legitimately private information.

- Definition problems: Any prohibition on certain event categories will face endless legal challenges over scope and definition. The Commission's own 2024 proposed rules were withdrawn in 2026 "in light of various forms of state regulatory actions and litigation" (Notice at 5).

- Jurisdictional arbitrage: Blockchain-based platforms like Polymarket can operate outside U.S. jurisdiction while accepting U.S. customers. Van Dyke traded on Polymarket, which has historically operated in a regulatory gray zone. Crypto exchanges have used identical structures to evade U.S. oversight.

- Enforcement capacity: The Commission lacks resources to police the volume and velocity of prediction market trading. The Notice states that in 2025 alone, DCMs certified approximately 1,600 event contracts (Notice at 4, footnote 9): a growth rate that outpaces any realistic regulatory response. And as documented below, enforcement capacity is being systematically dismantled.

The crypto market's experience is instructive: over a decade of enforcement actions, billions in penalties, and high-profile prosecutions have not eliminated fraud, manipulation, or sanctions evasion. Prediction markets will replicate these failures while adding unique dangers to

democratic institutions. Truth Predict exemplifies how these markets can be explicitly designed to concentrate influence rather than aggregate information.

VII. THE GUTTING OF FEDERAL OVERSIGHT CAPACITY

Even if theoretically sound regulations could be drafted, the current administration's systematic dismantling of federal regulatory agencies makes enforcement impossible:

1. Mass Federal Workforce Reductions: According to CNN reporting, more than 350,000 workers have left the federal government's payroll since January 20, 2025.[26] The Washington Post reports approximately 335,000 federal workers left the government from January to November 2025 alone.[27] The federal workforce has decreased by 12 percent, reaching its smallest size in at least 15 years.[28]

2. Agency-Specific Devastation: Per Government Executive, the proposed FY 2027 budget would compound these losses:[29]
- U.S. Geological Survey: 29% workforce reduction (~2,000 employees)
- Bureau of Land Management: 27% reduction (~2,100 employees)
- Bureau of Indian Affairs: 21% reduction (~760 employees)
- National Park Service: 18% reduction (~3,000 employees)

3. CFTC-Specific Vulnerabilities: The Commission itself has not been spared. In January 2026, the CFTC was required to submit a Lapse in Appropriations Plan, detailing shutdown procedures: a stark indicator of funding instability.[30] The proposed FY 2027 budget would further reduce staffing and funds for both the SEC and CFTC, agencies already "grappling with reduced staffing."[31]

4. Enforcement Reality: With enforcement divisions hollowed out, market surveillance degraded, and legal teams reduced, the Commission cannot realistically police a rapidly expanding prediction market ecosystem. The Partnership for Public Service reports that most federal agencies saw significant workforce decreases from September 2024 to January 2026, with some agencies cut by more than 90 percent.[28]

The Van Dyke case illustrates the enforcement gap: it required coordination between the CFTC, the Department of Justice, and military investigators to detect and prosecute a single insider trading case. Multiply this by the 1,600+ event contracts certified in 2025 alone, and the resource impossibility becomes clear.

The conclusion is inescapable: a regulatory regime requires regulators. The current political project explicitly rejects this premise. Any regulations promulgated under these conditions would be performative: existing on paper while violations proceed unchecked.

VIII. PENALTIES AS COST OF DOING BUSINESS

Even if regulations were theoretically adequate, enforcement realities render them ineffective:

1. Profit vs. Penalty Calculus: Van Dyke profited $409,000. "Magamyman" profited $553,000 on a single Iran bet. The FTX collapse involved $11 billion in fraud. The crypto market saw $17 billion stolen in 2025 alone. The potential gains from successful manipulation, insider trading, or money laundering dwarf any conceivable civil penalty. Market participants will treat fines as

operating expenses. CEA Section 15(a) requires cost-benefit analysis before promulgating regulations, but the social costs of prediction markets cannot be quantified in any meaningful way.

2. Enforcement Unlikelihood: Given the current political climate (characterized by deregulatory pressure, industry capture of oversight bodies, judicial hostility to administrative action, and the DOGE-led evisceration of enforcement staff), consistent enforcement cannot be assumed. The Commission's own withdrawal of 2024 proposed rules demonstrates this vulnerability (Notice at 5).

3. Detection Challenges: Unlike traditional securities fraud, prediction market manipulation often cannot be distinguished from legitimate trading after the fact. An insider who profits from a correctly predicted political outcome appears identical to a skilled analyst. See CEA Section 6(c)(1) prohibiting "manipulative or deceptive device[s]" but note the practical enforcement limitations acknowledged in Question 31: limitations compounded by staffing reductions.

4. Diffused Harms: The social costs (eroded trust in institutions, corrupted information ecosystems, incentivized sabotage of public goods) are not captured in any penalty framework because they extend beyond direct market participants. CEA Section 3(b) states the Commission's purposes include protecting "all market participants from fraudulent or other abusive sales practices," but prediction market harms extend to non-participants entirely.

IX. THE GAMBLING COMPARISON IS UNFAVORABLE TO PREDICTION MARKETS

The Notice asks about "gaming" classification (Question 19). This comparison should disqualify prediction markets, not legitimize them:

- Traditional gambling is at least honest about its nature: participants know they are wagering on chance

- Prediction markets claim to serve price discovery and information aggregation functions (2008 Concept Release at 73 FR 25669), lending false legitimacy to speculation on human suffering, political instability, and geopolitical conflict[25]

- Consumer protections in regulated gambling (self-exclusion, loss limits, advertising restrictions) are absent from prediction markets. Question 19(e) asks what "responsible gaming standards" should be considered: this acknowledges the gap.

- Social license: Gambling is geographically restricted and age-limited; prediction markets operate globally with minimal access controls

- Moral hazard: Traditional gambling does not create incentives for insiders to manipulate outcomes. Prediction markets do, as the Kalshi politician cases and Truth Predict structure demonstrate.

- Crypto parallel: Cryptocurrency markets, often compared to gambling, have demonstrated that "buyer beware" regimes result in systematic retail investor harm. Prediction markets will replicate this dynamic while adding democratic corruption risks.

X. SPECIFIC PROHIBITIONS REQUIRED

The Commission should exercise its authority under CEA Section 5c(c)(5)(C) to determine that all event contracts traded on prediction markets are contrary to the public interest. Specifically:

1. Prohibit all political event contracts: Elections, legislative outcomes, judicial decisions, policy implementations

2. Prohibit all geopolitical event contracts: Military actions, diplomatic developments, international conflicts, assassinations

3. Prohibit all corporate event contracts: Mergers, earnings, regulatory approvals, executive transitions

4. Prohibit blockchain-based prediction markets: These structures evade any meaningful oversight (Question 2.h)

5. Prohibit prediction markets integrated with social media platforms: Truth Predict exemplifies the unique manipulation risks of this combination

6. Require DCM/SEF registration denial: For any entity whose primary business is prediction market operations

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XI. CONCLUSION

The evidence establishes that prediction markets cannot be made safe through regulation. Documented cases prove that insiders monetize classified intelligence despite existing prohibitions, that political candidates bet on their own elections even when platform rules forbid it, and that traders profit from assassinations and military conflicts while platforms struggle to distinguish insider trading from skilled analysis. The emergence of platforms explicitly designed to concentrate narrative control within partisan media ecosystems, combined with the pardon of convicted cryptocurrency operators who are then rewarded with lucrative political-business alliances, demonstrates that the current regulatory structure does not merely fail to disincentivize financial crimes: it directly encourages them by rewarding connected actors with clemency and partnerships while reserving punishment for those without political utility. The systematic dismantling of federal regulatory capacity eliminates any remaining possibility of meaningful oversight. The Commission faces a clear choice. It can continue treating prediction markets as a regulatory puzzle to be solved, inviting years of rulemaking, litigation, and enforcement actions that will fail to prevent the next wave of abuse. Or it can exercise its authority under the Commodity Exchange Act to determine that all event contracts traded on prediction markets are contrary to the public interest. The documented record compels the latter course. Prohibition is the only appropriate regulatory response to an instrument whose inherent features corrupt democratic governance, compromise national security, and enrich the connected at the expense of public trust.

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