April 30, 2026

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

Re: Advance Notice of Proposed Rulemaking Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick:

Introduction

Institutional Venture Partners ("IVP") welcomes the opportunity to submit comments in response to the Advance Notice of Proposed Rulemaking on prediction markets put forth by the Commodity Futures Trading Commission (the "Commission"). IVP is a venture capital firm with over four decades of investing experience across finance, consumer, application layer software, infrastructure, and healthcare technologies. IVP's specialty is partnering in category-defining companies at their moment of inflection. Among these companies is Kalshi, Inc. ("Kalshi"), the first CFTC-licensed exchange for event contract trading. We write this letter as financial investors in Kalshi; strong supporters of their mission to create an entirely new, democratizing asset class; and backers of innovation broadly, the fruits of which we have seen compound across a diversity of market cycles and demographics over the last 45 years. Our comments reflect both our direct experience as investors in prediction market infrastructure and our broader perspective on how regulatory frameworks shape the development of nascent financial markets. IVP believes the Commission should establish a transparent, well-regulated event contract trading framework as the best way to protect consumers and safeguard market integrity.

Why This Matters: A New Financial Market in the Making with Transparency at the Forefront

Prediction markets represent one of the most consequential financial innovations in a generation. At their core, prediction markets do something no other market does as efficiently: they convert distributed, private belief into publicly observable, priced probability. This is not a theoretical proposition. Academic research consistently demonstrates that well-structured prediction markets generate forecasts that outperform expert panels, proprietary models, and traditional polling.[1] While research into the underlying reasons for this phenomenon is ongoing, researchers hypothesize that prediction markets honor and reward participants' logic and wisdom while uninformed, wishful thinking is penalized. Prediction markets are also constantly refreshed with new information, reflecting real-time updates, rather than an ephemeral moment in time of a poll or the fleeting opinion of an individual. Further, prediction markets elevate the wisdom of the crowd over the punditry of a biased individual. A financial marketplace built on incentives for accurate, transparent, well-informed predictions matters enormously for society's ability to anticipate and prepare for consequential events. One can see the value of prediction markets for everything from home insurance to healthcare.

[1] *See e.g.*, Wolfers, J. and Zitzewitz, E. (2004), "Prediction Markets." *Journal of Economic Perspectives* 18 (2): 107–126; Berg, Forsythe, Nelson & Rietz (2008), "Prediction Market Accuracy in the Long Run." *International Journal of Forecasting*; Chen, Y., & Pennock, D. M. (2010), "Designing Markets for Prediction." *AI Magazine*, 31(4), 42-52.

We believe the Commission stands at a defining moment. The enormous growth in trading volume, institutional adoption, and diversity of contract types now emerging on CFTC-registered exchanges suggest that event contract trading is not a niche product. We are in the early stage of an asset class developing with the potential to rival derivatives in their scale and societal utility – an asset class that was once similarly considered novel as the Commission supported a transition from largely handling contracts on agricultural commodities to financial derivatives, followed by options trading.

Just as standardized futures and options markets, in collaboration with and regulatory oversight from the Commission, transformed risk management across commodities, interest rates, and equities over the past fifty years, prediction markets have the potential to provide tools and broader social benefit for a far greater universe of risks, including policy changes, weather events, economic indicators, and more. Getting the regulatory framework right now will determine whether the United States leads this development or cedes it to less transparent jurisdictions.

Open and Transparent Markets Serve the Public Interest

A core premise of the Commodity Exchange Act ("CEA") is that well-regulated markets serve the public by enabling price discovery, managing risk, and disseminating information. Prediction markets advance each of these objectives in a distinctly democratic way. Unlike institutional derivatives markets, which are largely accessible only to eligible contract participants, prediction markets allow any retail participant to express a view on future outcomes. This openness is a feature, not a vulnerability. When a broader population of informed participants, be they farmers, business owners, policy professionals, or informed citizens, can trade on events relevant to their lives, market prices become more accurate and more representative of society's collective knowledge.

This transparency also disciplines market participants in a way that commentary and forecasting do not. A participant who trades a prediction market contract is not offering an opinion; they are committing capital to a position. According to academic research, this mechanism of revealed preference makes prediction market prices meaningfully different from, and frequently more reliable than, the consensus views of credentialed experts.

The Case for a Clear, Unified Federal Regulatory Framework

IVP strongly supports the Commission's authority to establish a coherent federal framework for prediction markets. The current environment (in which individual states have sought to impose varying and sometimes conflicting rules on event contracts that are already listed on federally licensed exchanges) creates precisely the kind of regulatory fragmentation that undermines market integrity and investor confidence. Participants in these markets deserve to know that the rules governing their transactions are consistent, transparent, and administered by a single regulator with the expertise and mandate to oversee derivatives markets.

The Commission's exclusive jurisdiction over event contracts traded on registered designated contracts markets is well-grounded in the CEA, and we believe the Commission should exercise that jurisdiction affirmatively by providing clear, workable guidance. Regulatory ambiguity does not produce caution. Rather, it encourages market participants to flee to less regulated jurisdictions where market managers uninterested in regulation and governance allow market manipulations like insider trading and other unscrupulous conduct to go unchecked, ultimately resulting in capital loss for traders. A principled federal framework, consistently and transparently applied, is the best protection for consumers, the best foundation for institutional participation, and the most effective safeguard for market integrity.

Closing

IVP appreciates the Commission's commitment to developing a thoughtful, evidence-based framework for prediction markets. The Commission has an opportunity to establish the United States as the global leader in transparent, well-regulated event contract trading. We believe this market has the potential to generate significant economic value while advancing the CEA's core purposes of price discovery, deterring market manipulation, supporting financial integrity and systemic stability, and ensuring markets are open, competitive, and financially sound.

We encourage the Commission to approach this rulemaking with the same seriousness of purpose that it has brought historically to the development of frameworks for other innovative derivative products. In contrast to an inconsistent patchwork of state-level regulation, which would inhibit business and stifle innovation, a clear, principled, and federally uniform framework will support innovation and market transparency, protect consumers, and serve the public interest. We welcome the opportunity to discuss our comments further and are happy to provide any additional information the Commission may find useful.

Respectfully,



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