April 30, 2026

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

Re: Prediction Markets, RIN 3038-AF65

Dear Mr. Kirkpatrick:

In response to the Commission's Advance Notice of Proposed Rulemaking (ANPRM) regarding the oversight of event contracts and prediction markets (RIN 3038-AF65), Mick Bransfield and Pratik Chougule are respectfully submitting these comments in their capacities as senior leadership at the Coalition for Political Forecasting (CPF). CPF is a community of researchers, traders, and philanthropists that sees real-money prediction markets and other betting platforms as advanced forecasting tools that can help humanity navigate an uncertain future, and we write to offer concrete recommendations rooted in the historical and operational realities of this industry. The views in this comment are those of Research Director Bransfield and Executive Director Chougule, and do not necessarily reflect the perspectives of others associated with the Coalition.

Prediction markets have matured from academic experiments into regulated exchanges operating under Commission jurisdiction, yet the regulatory framework has not kept pace with that maturation. Each recommendation is practical, narrowly drawn, and grounded in demonstrable market failures or persistent regulatory ambiguities that have caused measurable harm.

Topic 1. Whether to provide guidance or amend regulations regarding application of DCM Core Principles to prediction markets

The Commission should provide guidance and adopt rule amendments addressing the application of the DCM Core Principles to prediction markets. The single greatest source of regulatory uncertainty for prediction market operators is the absence of clear, durable definitions for the core legal concepts that govern what they may and may not offer. Without definitional clarity, operators face inconsistent enforcement, participants face unpredictable legal exposure, and the Commission expends resources resolving disputes that bright-line rules would prevent.

Recommendation 1.1. Define “gaming” for purposes of event contract review. The Commission should define "gaming" for purposes of Section 5c(c)(5)(C) as a contract whose underlying event is a contest, game, or competition organized primarily for entertainment or

wagering purposes, the outcome of which has no independent economic, commercial, or public significance apart from the wagering activity it generates. Events that occur independently of any wagering market, including elections, economic data releases, regulatory and judicial decisions, geopolitical developments, and natural phenomena, are not "gaming" within the meaning of the statute, regardless of the degree to which their outcomes involve chance.

Recommendation 1.2. Issue an interpretive release consolidating the Commission's insider-trading framework as applied to prediction markets. The Commission's existing authority substantially reaches the event-contract insider-trading and market-manipulation fact patterns the public has identified as concerning. Director Miller's March 31, 2026 NYU remarks made this clear, and the Division of Enforcement has identified prediction-market insider trading as a priority.

The problem is not statutory. It is public misunderstanding. Market participants, lawmakers, journalists, and the general public widely believe insider trading laws do not apply to prediction markets. That belief is empirically wrong but persistent, and it is distorting the policy debate, generating proposed congressional restrictions, and state-level actions that a clearer Commission posture could obviate.

The Commission should issue a formal interpretive release consolidating the existing framework, walking through the statutory and regulatory architecture, and applying it to recurring event-contract fact patterns through worked examples (athlete betting on own performance, candidate betting on own race, federal employee trading on pending government action, exchange employee trading on resolution criteria, trader inducing the event to occur). An interpretive release has the durability, citability, and visibility a speech does not, and is the appropriate instrument for resetting public understanding without requiring new substantive law.

Topic 2.a. Core Principle 2 and 17 CFR 38.151 (impartial access and prohibition of abusive trade practices)

Recommendation 2.a.1. Require equal access to RFQ data for all eligible participants. The RFQ mechanism in prediction markets serves a function analogous to RFQ systems in other CFTC-regulated markets: it allows participants to solicit prices from willing counterparties before committing to a trade. The integrity of this process depends on all participants operating from the same informational baseline. If an exchange structures its API access such that higher-paying or higher-volume participants receive richer RFQ data, the exchange has created a two-tiered market in which some participants systematically trade against others operating with an inferior picture of available liquidity. The Commission should require, by rule under Core Principle 2 and Regulation 38.151, that all data available through a DCM's RFQ system be made available on equal terms to all participants eligible to use that system.

Recommendation 2.a.2. Require disclosure of proprietary market maker activity. Where an exchange operates, owns, or shares a parent company with a market making entity that trades on its own platform, that activity should be separately identified in transaction data available to regulators and to market participants. Proprietary market making by exchange-affiliated entities creates potential conflicts of interest that are not visible to market participants under current disclosure requirements. The Commission should require that all trades executed by exchange-affiliated market makers be flagged in reporting, and should consider whether additional disclosure to market participants is warranted.

Recommendation 2.a.3. Establish minimum KYC standards for sports and election event contracts. Although our organization's primary interest is in defending political prediction markets, we believe that sports event contracts further this mission. This is because sports markets help generate the liquidity that is necessary for prediction markets to produce meaningful odds on the political questions most important to society. However, sports event contracts present heightened abusive-trading risk because the universe of individuals with the ability to influence outcomes, players, coaches, officials, team medical personnel, is identifiable and finite. The Commission should require that exchanges offering sports event contracts cross-reference participant accounts against existing exclusion registries.

Topic 2.b. Core Principle 2 (terms and conditions; resolution and dispute procedures) and Core Principle 14

The Commission should establish minimum expectations for DCM rules governing event contract resolution, dispute procedures, and changes to contract terms after listing. Several of the recommendations below address process failures that existing rules do not reach.

Recommendation 2.b.1. Require pre-defined methodology for last-fair-market-price resolution. Some prediction market contracts may resolve at a last fair market price rather than at the standard binary values of zero or one, for instance, when a contract is voided or an underlying event is cancelled. The price at which participants are settled can vary significantly depending on the methodology the exchange applies, and if the methodology is not specified before the contract begins trading, the exchange retains discretion to select the approach after the fact. The Commission should require that any DCM offering event contracts that may resolve at a last fair market price publish the specific methodology in the contract's rules at the time of listing. The methodology should identify the data inputs, the calculation period, and any conditions under which the exchange may exercise residual discretion. Participants cannot price resolution risk they cannot see.

Recommendation 2.b.2. Require a public audit trail for changes to contract rules and the market rulebook. Prediction market participants make trading decisions based on the rules governing a contract at the time of entry, including resolution sources, expiration conditions, and the criteria that determine settlement. When an exchange modifies these terms after a contract is live, or amends its broader rulebook in ways that affect existing positions, participants bear a risk

they cannot price. The Commission should require that all DCMs offering event contracts maintain and publish a timestamped, publicly accessible log of all amendments to individual contract rules, resolution criteria, and the exchange's market rulebook. Each entry should identify the provision changed, the prior language, the revised language, and the effective date. Where amendments affect contracts with open interest, exchanges should be required to notify affected participants directly and in advance.

Recommendation 2.b.3. Mandate timely market resolution and establish a dispute notification mechanism (responsive to Core Principle 14). There is a persistent and underaddressed integrity problem: markets that have closed, where the underlying event has concluded and the outcome is objectively determinable, but that remain formally unresolved by the exchange for extended periods, sometimes indefinitely. This is not a question of disputed resolution direction; it is a failure of process as the number of event contracts has scaled upward. Participants who have taken positions in such markets are denied the return of their capital and have no clear regulatory vehicle to compel resolution. The Commission should adopt rules establishing (a) a maximum period within which a closed market must be formally resolved; (b) a requirement that exchanges publish documented resolution procedures for each contract category prior to listing; and (c) a mechanism, such as a designated regulatory contact or formal complaint process, through which market participants can notify the Commission of markets that remain unresolved beyond the prescribed period.

Recommendation 2.b.4. Require an extended resolution window for election-related event contracts. The 2000 presidential election remains instructive: major media outlets incorrectly called Florida twice on election night before retracting both calls. The Commission should require election-related event contracts to remain open for a minimum period following any media declaration of a winner that would resolve the contract under market rules, a non-waivable, uniform standard across all exchanges offering such contracts.

Topic 2.c. Core Principle 3 (contracts not readily susceptible to manipulation)

The determination of whether an event contract is "readily susceptible to manipulation" should be made through a multi-factor framework that accounts for the unique characteristics distinguishing event contracts from traditional commodity derivatives. The Commission's existing guidance on cash-settled contracts under Appendix C to Part 38, particularly the requirements that the cash settlement price be reliable, acceptable, publicly available, and timely, provides a workable foundation, but prediction markets warrant additional, contract-design-level requirements.

Recommendation 2.c.1. Adopt a mandatory "death carveout." Several regulated and unregulated prediction market platforms have, at various times, offered or permitted the creation of contracts whose resolution is triggered by the death of a named individual. The Commission should require markets to resolve at last-fair-market-price if any contract resolves based on the death of at least one individual related to the event. The Commission should simultaneously

clarify that natural disasters do not qualify as 'death markets.' The operative distinction is causal agency: an individual can commit an act of targeted violence such as setting a fire, but no individual can cause a tsunami or a Category 5 landfall. A rule drawn along these lines prohibits death markets without foreclosing the legitimate risk-transfer and information-aggregation functions that natural disaster contracts serve.

Recommendation 2.c.2. Address the boundary between individual-action markets and legitimate hedging. A related but distinct concern arises from contracts whose resolution depends on the actions of a specific individual, whether a named official will take a particular action, whether a named athlete will achieve a particular performance metric, or whether a named executive will remain in a position. These contracts may serve legitimate hedging and informational functions while simultaneously creating manipulation incentives that pure outcome contracts do not. The Commission should be attentive to the fact that contracts on the actions of world leaders, heads of state, and other public officials have a particularly strong claim to legitimacy as instruments of political and geopolitical risk pricing.

Recommendation 2.c.3. Require multi-source resolution for temperature and weather event contracts. Weather event contracts present a unique manipulation vulnerability: their resolution often depends on a reading from a single physical instrument at a single location. A contract that settles on the recorded temperature at one weather station can be influenced by anyone with physical access to the sensor. This vulnerability is not theoretical: a recent incident on an offshore prediction-market platform, where a single Météo-France temperature sensor at Charles de Gaulle airport appears to have been physically tampered with to settle a temperature contract, illustrates that single-source weather data is susceptible to interference at trivially low cost relative to the potential payout of a well-positioned contract. The Commission should require that event contracts resolving on temperature or other localized meteorological measurements use the median reading from multiple independent weather stations within a defined geographic area rather than a single-station reading. For example, a median of five or more stations is far more resistant to manipulation because an individual would need to compromise a majority of stations simultaneously to affect the outcome. The qualifying stations and geographic boundary should be specified in the contract rules at listing, and the data sources should be publicly verifiable.

The recommendations above, a death carveout, a calibrated approach to individual-action markets, and a multi-source resolution standard for weather contracts, are illustrations of a broader point: the manipulability of an event contract often turns on the manipulability of the triggering event itself, not on the reliability of the resolution source, and Core Principle 3 review should be calibrated accordingly.

Topic 2.d. Core Principle 4 (capacity to prevent manipulation, price distortion, and disruption)

Recommendation 2.d.1. Establish a framework for AI-assisted market surveillance and fraud detection. The volume and variety of event contracts now listed on Commission-regulated exchanges has outpaced the capacity of traditional human-led surveillance programs. A single DCM may simultaneously offer thousands of active contracts spanning elections, economic indicators, weather events, sporting outcomes, and geopolitical developments, each with distinct manipulation signatures, resolution dependencies, and information asymmetry profiles. The Commission's December 2024 staff advisory acknowledged that DCMs may use AI for surveillance and identified Core Principles 2, 4, and 12 as potentially implicated, but explicitly declined to establish any AI-specific compliance standard. The Commission's Technology Advisory Committee recommended in May 2024 that explainability be a component of responsible AI in financial markets, but the Commission has taken no regulatory action on that recommendation. The gap between what AI-assisted surveillance requires to be defensible and what existing rules specify is real, unresolved, and directly relevant to prediction markets.

The Commission should establish by rule that an AI-assisted surveillance program satisfies Core Principle 4 and Regulation 38.251 provided that the following conditions are met:

(a) Pre-deployment documentation of conduct categories detected, data inputs, performance benchmarks, and known limitations, sufficient for examiner review without requiring exposure of proprietary model architecture or training data;

(b) Complete audit logs of all alerts, including triggering inputs, disposition by a qualified human compliance officer, and the reasoning supporting each disposition, ensuring that no enforcement action against a participant rests solely on AI output without human judgment intervening;

(c) Ongoing performance monitoring, including periodic evaluation of false-positive and false-negative rates against manually reviewed samples, defined escalation triggers, and documented retraining schedules, with Commission guidance defining what constitutes a "material change" to an AI system requiring advance notification;

(d) For AI systems used in contract resolution, disclosure of resolution logic at listing with sufficient specificity that participants can predict system behavior; a human review mechanism for disputed resolutions; and a prohibition on final resolution solely on AI determination without sign-off by a designated human compliance officer; and

(e) Vendor agreements that preserve the DCM's ability to produce required documentation upon Commission examination request, consistent with the principle that regulatory obligations cannot be outsourced.

This framework would extend to derivatives markets the regulatory direction already established under the GENIUS Act. The April 10, 2026 FinCEN/OFAC proposed rule treats a permitted payment stablecoin issuers (PPSI's) "effective use of artificial intelligence, federated learning, or other advanced monitoring tools" as a positive compliance indicator in enforcement determinations; the August 18, 2025 FinCEN Request for Comment, issued at the Act's

direction, specifically solicited input on AI for detecting illicit activity. The Commission's recognition of AI-assisted surveillance for prediction market DCMs, with the explainability, audit, and human-review standards specified above, would extend that direction across the stack and provide the prescriptive content the GENIUS Act framework has not yet itself adopted.

Topic 2.h. Application of the DCM Core Principles to blockchain-based prediction markets

Recommendation 2.h.1. Clarify the regulatory framework for blockchain-based DCMs and DCOs operating with self-clearing or non-intermediated structures. To the extent within the Commission's authority, and in coordination with Congress, FinCEN, and other relevant authorities where statutory amendment or interagency action is required, the Commission should clarify the regulatory treatment of registered entities operating with self-clearing or non-intermediated structures, and should establish a framework under which such entities may satisfy applicable statutory and regulatory obligations through blockchain-native operational structures. Specifically, the Commission should:

(a) Provide a safe-harbor pathway for blockchain-based DCMs and DCOs operating with self-clearing or non-intermediated structures, subject to conditions ensuring functional equivalence with existing customer protections.

(b) Provide a regulatory pathway for smart-contract escrow of GENIUS Act-compliant payment stablecoins as a means of satisfying customer fund protection objectives, without displacing the broader Part 1 customer protection regime or the bankruptcy-remote treatment afforded under Subchapter IV of the Bankruptcy Code, and should identify any statutory amendments necessary to extend such treatment to non-intermediated structures.

(c) Establish a customer-identification framework that accommodates privacy-preserving credentialing mechanisms, such as zero-knowledge KYC credentials issued by approved providers.

(d) Recognize integration of approved blockchain analytics, sanctions-screening, and SAR-filing capabilities as a means of satisfying applicable AML and suspicious-activity-monitoring obligations, in a manner consistent with the framework contemplated by the April 10, 2026 FinCEN/OFAC proposed rule implementing the GENIUS Act's illicit finance provisions.

(e) Provide that on-chain operational structures may satisfy applicable governance and emergency-authority obligations under the DCM and DCO core principles, in a manner consistent with the technical capabilities required of permitted payment stablecoin issuers under the GENIUS Act.

The Commission should solicit additional public comment on the specific technical, operational, and legal conditions appropriate to each component of such a framework.

Topic 5.a. Reporting and data availability on prediction markets

Recommendation 5.a.1. Require machine-readable data standards and mandatory historical data retention. It is no longer acceptable, in 2026, for regulated prediction markets to publish data in formats that impede programmatic analysis or to permit exchanges to discontinue access to historical contract data. The Commission should require that all DCMs offering event contracts (a) publish end-of-day market data in standardized, machine-readable formats (such as JSON or CSV with defined schema specifications); (b) maintain complete historical data, including opening and closing prices, volume, open interest, and settlement values; and (c) make that historical data publicly accessible at no charge via a documented API or bulk download mechanism. At least one CFTC-regulated prediction market has provided this functionality since launch. The Commission should make it the floor, not the exception.

Topic 19.e. Advertising limits

Recommendation 19.e.1. Adopt advertising standards, including testimonial restrictions and performance disclaimers. As prediction markets have grown in visibility, their advertising has raised concerns about potentially misleading representations to prospective participants. The use of testimonials from profitable participants, without disclosure of aggregate participant outcomes, creates a systematically distorted impression of likely returns. The Commission should adopt advertising standards that (a) prohibit the use of testimonials unless accompanied by a disclosure of the distribution of outcomes for all participants over the relevant period; (b) require clear and conspicuous performance disclaimers indicating that the majority of participants in event contract markets may lose money; and (c) prohibit representations that imply prediction markets are equivalent to investment accounts, savings products, or risk-free instruments. These standards should be modeled on the Commission's existing promotional material requirements for commodity pools and trading advisors.

Conclusion

Prediction markets have demonstrated, over four decades of operation across hundreds of platforms in dozens of jurisdictions, a durable capacity to aggregate dispersed information and to price uncertain outcomes with meaningful accuracy. That capacity is not self-sustaining: it depends on regulatory frameworks that maintain participant confidence, deter manipulation, ensure transparency, and provide operators with the definitional clarity necessary to innovate responsibly.

The recommendations set forth above are intended to contribute to that framework. They are grounded in the operational history of this industry, in identified market failures that existing

rules do not adequately address, and in the conviction that thoughtful Commission action at this juncture can strengthen prediction markets as legitimate instruments of price discovery and risk transfer.

We are grateful for the Commission's attention to these issues and welcome the opportunity to provide additional information or analysis in support of any of the recommendations above.

Respectfully submitted,

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