April 30, 2026

Via Electronic Submission

Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Re: Underdog Sports Holdings, Inc. Comment on Advanced Notice of Proposed Rulemaking: Prediction Markets / RIN 3038-AF65

Dear Mr. Kirkpatrick:

Underdog Sports Holdings, Inc., including its wholly owned subsidiaries UDM Services, LLC and Aristotle Exchange DCM, Inc., appreciates this opportunity to engage with the Commodity Futures Trading Commission as it considers a new rulemaking for prediction market derivatives. We applaud the Commission for examining the Commodity Exchange Act (CEA)'s treatment of prediction markets, particularly sports event contracts, market integrity, and consumer protections. We also appreciate the list of questions in the Advanced Notice of Proposed Rulemaking (ANPRM) that helps inform the perspective of the Commission as it carefully considers the legal precedent and mapping of a core principles framework around growth in these markets. As Underdog intends to list prediction markets, primarily focusing on sports events, pursuant to its Designated Contract Market (DCM) and Designated Clearing Organization (DCO) registrations, and has already begun intermediating such under its Futures Commission Merchant (FCM) license, these questions are top of mind.

Underdog was founded in 2020 with the simple objective of making sports more fun. The company's core operating principle is that there's so much more to be built for sports fans in America. Underdog has a unique ability to create new, engaging products

for the U.S. consumer. The company offers prediction markets, fantasy sports games, and a growing media network featuring former professional athletes, coaches, analysts, and the fastest breaking news. We believe strongly that sports fans should have access to regulated, responsible platforms for expressing their opinions. In that spirit, consumer protection and responsible play are core pillars of our corporate culture and product offerings. We want our customers to feel closer to their fandom, whether it be the Cowboys, Celtics, their favorite players, or any other passionate followings throughout the country.

Our fantasy sports contests are available in more than 40 states. In 2025, our subsidiary UDM LLC, became a futures commodities merchant and currently makes prediction markets available across the country. In the spring of 2026, we completed the acquisition of Aristotle Exchange entities, which are designated contract market and derivatives clearing organization firms.

In our response below, we focus on the questions most relevant to our role in the market.

Question 1: CFTC Guidance and Rulemaking

The Core Principles framework, which has governed derivative contract markets for many years, was designed to be flexible and principles-based for the purpose of allowing DCMs to innovate and implement compliance programs best geared for the contracts they list and the customers they serve as markets evolve.

For the vast majority of sports event contracts, the CFTC does not need to adopt formal rules changing how participants comply with core principles. Nonetheless, we view the issued guidance emphasizing the application of these core principles to these markets as a positive development and a way to improve market integrity and compliance. The CFTC should also consider guidance on best practices and standards for settlement criteria, data sourcing, treatment of market participants, and liquidity provisioning as the industry grows and these markets mature.

Question 2: DCM Core Principles

Impartial Access and Abusive Trade Practices

A DCM offering prediction markets has the same responsibility for impartial access that any other DCM has, which we believe is a key reason that trading on sports event contracts offers a significantly improved customer experience than state-regulated

casinos. State-regulated casinos are typically closed experiences, in which a single bookmaker determines the price, and can curb or otherwise limit retail customer access with virtually no oversight. By contrast, trading on DCMs means that successful customers will not be restricted from accessing these markets.

Event contracts listed on designated contract markets are not inherently more likely to be impacted by abusive trading practices than other retail financial products. DCMs offering these contracts should implement standard protections to police and protect against market manipulation, disruptive trading practices, or any other prohibited acts on their platforms.

While there are no existing requirements to offer self-exclusion tools for retail traders, the CFTC should consider encouraging registrants to make these tools available for all contract types. For years, Underdog has been an industry leader in adopting responsible consumer protections in the sports space to combat problematic activity. We are bringing that mentality to our DCM platform. For any customers that need them, Underdog makes available a number of effective protection tools such as cooling off periods, deposit limits, and self-exclusion periods. Though these tools are not typical in CFTC-regulated spaces, we would welcome the opportunity to work closely with the Commission to share our experience with consumer safety and offer our perspective on voluntary adoption of these practices. Underdog already promotes responsible gaming in fantasy sports with its GuardDog Responsible Gaming Innovation Fund program.[1] We look forward to taking a similar approach for retail-focused prediction markets.

Resolution Criteria and Dispute Settlement

Clear, objective, and verifiable settlement criteria are the foundation of a well-functioning event contract market. For event contracts, especially those in which large retail participation is anticipated, the largest priority is ensuring that the settlement criteria in contracts must be clearly presented and easily understood.

The vast majority of sports event contracts can be settled by reference to readily available, reliable sources. Event outcomes, player performance, and sports news are all reported by sports governing bodies and a massive sports media ecosystem. For these contracts, the DCM should identify which sources it will rely upon for determining what “occurred” in the underlying event. This clear identification and the use of reliable sources for those determinations —ensures market integrity and protects market participants . These contracts should also include provisions for certain remote events, such as game cancellations, delays, suspensions, and ties.

[1] More details are available at https://www.underdogfantasy.com/guarddog#meet-guarddog.

While data from professional sports leagues might be suitable for some platforms, the CFTC should not require its use if a DCM is able to source an equally reliable alternative, or else it risks forcing DCMs into making a decision that does not best suit their business practices. This would be inconsistent with the spirit of compliance flexibility that the core principles regulatory structure was created to promote. Instead, the Commission should allow DCMs to use any reliable third-party data provider, including broadcasts and media sources, with the DCM relying upon league data feeds only when necessary to accurately resolve the contract.

Not Readily Susceptible to Manipulation

Sports event contracts are not readily susceptible to manipulation. Sports is an important and extremely large commercial industry, in which the stakeholders have interests far beyond how outcomes or performances might affect derivatives markets. To the extent that a small number of potential sports events contracts *could* be illegally manipulated by bad actors, that possibility is better addressed on a case-by-case basis with strict enforcement against the perpetrators, rather than through broad rulemaking that will stifle innovation and consumer experience.

Underdog is well positioned to provide information to the Commission and staff on how to think about integrity in connection with sports events contracts.

From our perspective, sports event contracts fall into three primary categories with different analyses around their susceptibility to manipulation and appropriate treatment.

> **Category 1**: ***Game and match outcomes in sports with reliable governing bodies.***
>
> Contracts based on the outcome of a team game (win/loss, point totals, point spreads) played under reliable league oversight should be viewed as inherently not susceptible to manipulation. These contracts settle on the aggregate performance of teams of numerous athletes, coaches, and support staff, all of whom have financial and legal obligations to league officials and professional integrity bodies that ensure their performance is not manipulated by the existence of a market trading on the outcome. Similarly, many single-athlete sports (i.e., golf, tennis, boxing) are overseen by robust governing leagues with stakeholders whose interests in the integrity of the sport extend far beyond merely prediction markets. These governing bodies have invested considerable resources in ensuring the integrity of their athletic contests, including pre- and post-match compliance processes, that make the outcomes inherently reliable.
>
> **Category 2**: ***Single-athlete performance in leagues with reliable governing bodies.***

Event contracts on single-player statistical performance (e.g., total points, assists, or passing yards for a named player) should also be allowable based on the same principles discussed in Category 1. As in those competitions, statistical performance is influenced by other individuals, random variance, and external conditions. There are also similarly strong oversight and criminal and financial motivations to not manipulate markets.

Category 3: ***Contracts adverse to market and sports integrity.***

DCMs could theoretically offer contracts on events adverse to the goals of the broader market and sports integrity. These instances are fact-dependent and narrow, but nonetheless important to highlight as a guiding principle for participants to consider and employ. Examples of such contracts might include those surrounding human-caused event cancellations or delays (e.g., public streaking or other interruptions) or those concerning off-field athlete misconduct. We encourage the Commission to adopt rules guiding against the self-certification of contracts involving these types of events when they arise.

Following the logic of these categories, we believe that the CFTC should provide general guidance concerning whether it considers distinct categories of contracts that do not comply with Core Principle 3. Such guidance would allow DCMs to make decisions about listing specific contracts without burdening CFTC staff with onerous reviews of countless specific contract listings the Commission is likely to disapprove. We believe that the conversation around how these categories are differentiated and applied should be facilitated through active and ongoing dialogue between the industry, market participants, and the CFTC as a regulator. We welcome that dialogue and finding answers that best serve consumers, the CFTC, registrants, and other participants as the landscape evolves and new questions emerge.

Market Surveillance and Enforcement Practices

As laid out above, we acknowledge and believe that certain markets are inherently more vulnerable to manipulation and should not be listed on DCMs due to potential non-compliance with the Core Principles. However, standard market protections such as order flow analysis, position monitoring, and pre-trade risk-controls would provide sufficient protections for the overwhelming majority of sports event contracts.

There are, however, several additional protections specific to the sports industry that would benefit the Commission and DCMs. The CFTC should encourage the maintenance of real-time lists of individuals that have access to material non-public information related to sports event contracts such as athletes, coaches, medical staff, officials, and league employees, that should be banned from participation in these markets. There would also be value in the CFTC entering into data-sharing

arrangements with sports leagues and sports integrity organizations so that all DCMs could have access to a shared database of market-excluded individuals. This would help DCMs police markets by sharing information about suspicious or coordinated illicit activities.

Position Limits

Event contracts offered in the U.S. have primarily been fully collateralized swap contracts. This removes many of the risks that position limits for speculators are typically working to prevent, such as concerns of delivery squeezes in physically-settled commodity derivatives or concerns that large positions can influence settlement prices in cash-settled markets. In a fully collateralized event contract, the payoff structure does not depend on the level of trading activity in the contract itself and margin calls and automatic position liquidation do not exist.

Customer Fund Protection and Margin Considerations

Event contracts are currently fully collateralized. This eliminates any traditional margin call risk for retail participants and works well with the existing payoff structure. We support maintaining a fully collateralized market for retail participants.

If, in the future, margin trading is offered to sufficiently sophisticated or institutional investors, we would expect there to be a robust set of requirements ensuring that market participants understand the risks of leveraged trading and a comprehensive margin model that accounts for the extreme volatility that can occur in certain event contracts. We would expect any DCO clearing these products to go through robust stress-testing before listing any margined products. We would question whether entering event contracts on margin is appropriate for individual retail customers and believe guidance on suitability standards would be appropriate if not limited strictly to eligible contract participants (ECPs).

Question 7: Public Interest Determination

The size of the global sports industry is in the trillions of dollars with the United States hosting many of the world's largest and most valuable sports leagues and franchises. Americans and institutions alike should be able to hedge and speculate on the occurrence and outcome of events associated therewith in a uniformly fair, safe, and transparent manner. We encourage the CFTC to avoid making merit-based determinations and instead focus on safe and efficient market initiatives that encourage innovation and business growth within American borders.

Notwithstanding CFTC mandates and the market efficacy and protective measures already in place by FCMs, DCMs, and DCOs, Americans should have the freedom to

transact in the model that they desire. Fully funded event contracts on DCMs provide a safe and efficient manner to speculate or hedge on the occurrence or outcome of an event without risk of counterparty insolvency or unfair or individualized treatment.

Question 10: The Role of Event Contracts

Event contracts serve a legitimate role across a range of event types. For those with financial exposure to the occurrence or outcome of a sporting event, such as stadium owners and vendors, the hospitality and transportation industry, sponsors and advertisers, and local establishments (among many others), these markets offer a risk management function that is far more focused than any other existing financial product. In comparison to state-regulated sportsbook offerings, these markets often offer better pricing, fair access, and more accurate price discovery due to the involvement of speculators for those seeking to hedge their risks.

From an informational perspective, well-functioning prediction markets show the aggregate views of market participants and have shown a clear track record of accuracy in various spaces including politics and sports. This information itself has commercial value to teams, broadcasters, politicians, vendors, sponsors, and the general public. The direct coupling of participants' opinions with a financial stake in those opinions further protects the accuracy and organic nature of available insights where polls and casino line setting do not.

The CFTC should encourage these markets to continue to grow and innovate in the United States so that they can accomplish their goal of fostering price discovery and creating an environment that is conducive for speculation and hedging alike. Moreover, and as we have seen in numerous other industries, fostering innovation domestically substantially protects against unlicensed and offshore providers from offering products and services to Americans where consumer protection is lacking, fairness and transparency is nonexistent, and recourse is not available.

The CFTC should also take steps to encourage liquidity providers to enter these regulated markets to benefit price discovery. The CFTC should accomplish this by either creating an exemption for third-party market makers from the swap dealer de minimis threshold for all on-exchange, cleared swaps, or ii) measuring de minimis threshold for active positions. Closed positions do not pose any systemic risk and should not be cumulatively counted towards such exemption as they have already occurred. Liquid markets make for efficient markets and providing avenues for increased liquidity is well aligned with the mission of the CFTC.

Question 15 & 19: Five Enumerated Activities and Gaming

The five listed activities in section 5c(c)(5)(C) represent specific categories that Congress has determined as potentially contrary to the public interest. We find three of these categories (terrorism, assassination, and war) to be outside the public interest and have no intention of listing any contracts that could conceivably be considered associated with any of these categories. The CFTC should consider positively affirming through guidance or rulemaking that it considers any event contracts on these types of activities to be outside the public interest, and it would disapprove of any contract in that space.

Regarding the “unlawful activity” category, we encourage the CFTC to provide clarifying guidance as to what would constitute unlawful activity when federal law and state law, or two state laws, conflict. There is a misconceived notion held by a few in the general public that if an activity can be conducted illegally in one manner and legally in another, then that would qualify as unlawful activity. We also believe that the CFTC should issue guidance clarifying that the underlying activity itself must be unlawful regardless of the derivative instrument structure. For example, certain states prohibit alcohol sales on Sundays. Would a contract based on the underlying event of total Sunday alcohol sales in the United States fall within the “unlawful activity” category? As a general matter, we do not think so as there are lawful Sunday sales of alcohol occurring in the United States. However, the CFTC may clarify this by narrowing the example to the portion of underlying activity that is lawful (in our example, states that permit such sales on Sundays).

Lastly and most importantly, we encourage the CFTC to issue clarifying guidance on the category of “gaming” and specifically within the context of sporting events. Event contracts are derivative instruments based on an underlying activity. The focus of whether such activity qualifies as “gaming” should be strictly applied to the underlying event itself - not activities ancillary to that underlying event. For example, the underlying event of a sports event contract is the sporting event itself. Sports existed before gambling on sports. Elections existed before gambling on elections. And weather existed before gambling on the weather. Calling sports, elections, or the weather “gaming” and inferring the outcome or occurrence of such is gambling is simply not supported. A professional athlete is not participating in gambling when playing in a sporting contest.

If the enumerated categories in Rule 40.11 were supported to include underlying activity involving “sports”, then there would have specifically and expressly been a sixth category for sports. As it stands, there are only five enumerated categories and we believe it would be beneficial for the general public to have specific clarification that gaming refers to the underlying activity of casino games and not sports, elections, weather, or any other event that speculation may ancillarily occur on.

Question 23: Listing Process

The CFTC should make its position on public interest and ability to comply with Core Principles clear through guidance and rulemaking processes while soliciting full public comment and feedback. Once these views on which contracts fall within and without the scope of CFTC compliance and jurisdiction are settled, the CFTC should make determinations of whether individual contracts or narrow sub-categories of contracts meet those standards on a case-by-case basis by staying and reviewing any contracts it deems to not be permissible.

Question 24, 25, 26, & 27: 5(c)(5)(C) Process

The Commission should make a public interest determination at the category level for those contracts that clearly fall outside of compliance with core principles, chiefly Core Principle 3, by expressing the criteria by which it determines a contract does not meet that standard in rulemaking or guidance. That said, the CFTC should not seek to categorically ban contracts. Instead, implementing a self-certification process reduces the burden on Commission staff to only review self-certified contracts they feel run contrary to publicly issued guidance. Should that be the case, those contracts should be disapproved, and the market will receive clarity on what is and is not permissible.

This approach creates certainty for market participants looking to self-certify contracts while also not abandoning the principles-based approach that has made the CFTC a flexible, pro-innovation regulator that ensures customer safeguards while allowing the creation of novel products the market may demand on a time-sensitive basis.

The self-certification process has been a time-tested innovation within the CFTC structure that has allowed DCMs to remain competitive with global markets and has prevented the shift of global benchmarks abroad and beyond U.S. dominance. Any change to the current self-certification review process that would impact the ability of DCMs to list clearly permissible contracts would create a far more significant burden on market participants and the CFTC than the benefits of longer review of fringe contracts would warrant. Doing so would also hinder the Commission's aims to embrace market evolution and encourage innovation in American markets.

Question 29: Insider Information

The question of asymmetric information in prediction markets involves an existing tension between market fairness and information efficiency. In commodity derivatives markets, the primary purpose of the markets is the ability to efficiently hedge risks and the fostering of real-time, genuine price discovery via speculation. In these markets,

someone with an intricate knowledge of physical commodity flows is not barred from trading due to a better understanding of market pricing. At the same time, markets where individuals may have a direct influence on the outcome of the underlying event can create an environment where participants may lose faith in their ability to compete fairly with other market participants.

Luckily, in the case of sports and other event contracts, this problem is solved by the legal and economic responsibilities that true insiders have to not change or influence underlying outcomes, as well as their responsibility not to participate in markets tied to the outcome of the events. Athletes, coaches, and other insiders have a contractual duty with teams and leagues that prohibits them from participating in these markets and requires them to perform based on their team's best interest rather than based on a desired contract market outcome.

The CFTC's primary role in this environment is to ensure that true insiders as described above are restricted from participation in these markets and that they appropriately share information with leagues and legal bodies that are already policing this behavior. Someone should not be considered an insider just because they follow these markets more closely than others despite having no direct participation in underlying events, and they should have no legal or fiscal responsibility not to participate in these markets, and no responsibility to maintain confidentiality on the information they possess.

They are not and should not be treated any differently than an individual trader who more closely tracks commodity reports in any other market.

Question 32: Federal Government Employees' Responsibilities

Federal government employees already have a legal responsibility to not use any information they gain as a result of their role for their own personal gain or to share that information with others for their financial gain. This applies equally well to event contract markets like any other derivatives contract. The CFTC should apply this standard aggressively and should prevent federal employees from participating in political event markets, for example, just like athletes may be barred from participating in sports event contracts.

Question 33–34: Classification of Event Contracts as Swaps

The classification of event contracts as swaps is appropriate, but there are conceivable event contract structures that may well be classified as futures. Given that both may be listed on DCMs, the more significant question is how this classification might impact those that are able to freely trade the contracts.

As mentioned above, the classification of a contract as a swap might place significant constraints on a contract in terms of maximizing outside liquidity provision, as the de minimis threshold for swaps can create undue regulatory burdens on third-party market makers who wish to participate but are reticent about bearing the burden of swap-dealer registration. We have previously proposed possible courses of action for the CFTC to consider in our response to Question 10 above. Cleared swaps do not add any additional risk to the system relative to futures, so their differentiated treatment should be fixed. Failing to do so will significantly impact the ability to attract sufficient liquidity to create efficient risk transfer and price discovery.

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Once again, Underdog appreciates the opportunity to engage with the Commission on its ANPRM and provide our perspectives on the questions you are laying out to shape how the CFTC will functionally regulate sports prediction markets in a way that accords with existing law, promotes innovation on U.S. platforms, and ensures that there are robust consumer protections in place on these platforms.

Underdog's view is that the existing CFTC structure is best suited and clearly positioned to provide regulatory protections in these markets. We also believe that the best approach is one that balances a desire for innovation with a need for markets that are free from manipulation (or even the perception of manipulation) and the need for strong consumer protections.

We look forward to continuing this dialogue with the Commission as it moves forward with its plan for future guidance and rulemaking.

Sincerely,



Nicholas G. Green
General Counsel & Senior Advisor to the Board of Directors