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VIA ELECTRONIC SUBMISSION

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
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RE: Advance Notice of Proposed Rulemaking on Event Contracts and Prediction Markets

I. Overview

The Crypto Council for Innovation ("CCI") appreciates the opportunity to respond to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Advance Notice of Proposed Rulemaking ("ANPRM") on event contracts and prediction markets. CCI is a global alliance of leaders within the digital assets industry committed to promoting the advantages of digital assets while advocating for responsible global regulation that unlocks economic opportunities and safeguards national security.[1] Our members are united by the common objective of fostering well-informed, evidence-driven policy through collaboration with regulators.

CCI commends the Commission's forward-looking approach to establishing a comprehensive federal framework for prediction markets. We believe that achieving the Commission's objectives requires a regulatory posture centered on two primary principles:

- First, blockchain-based infrastructure can meet and advance the CFTC's Core Principles and regulatory objectives by enhancing transparency, reducing counterparty and settlement risk, and improving overall market efficiency. The CFTC should accordingly facilitate the adoption of blockchain-based technologies in order to support the ongoing evolution and improvement of CFTC-regulated markets.

- Second, the CFTC possesses broad, preemptive jurisdictional authority over derivatives products under the Commodity Exchange Act ("CEA"). This enables the development of a common national market protected by robust anti-fraud and anti-manipulation safeguards, which the CFTC has extensive experience enforcing. Recognizing and upholding the CFTC's exclusive jurisdiction is critical in maintaining the broadest, deepest, and best-regulated markets in the world.

Against this backdrop, CCI offers the following key takeaways and recommendations.

[1] *See* Crypto Council for Innovation website, available at: https://cryptoforinnovation.org/.

II. The CFTC Should Facilitate Blockchain Innovation That Improves Market Structure, Enhances Transparency, and Advances Regulatory Compliance. (Questions 2, 3, 5 and 30-32)

Blockchain-based market infrastructure can offer improvements over legacy approaches and is uniquely suited to satisfy CFTC Core Principles. Blockchain technology provides immutable audit trails and near-instant settlement finality, which materially reduces counterparty and settlement risk. These features are especially beneficial for retail investors when paired with fully collateralized products, as is the case with event contracts traded on CFTC-registered prediction markets, since they eliminate the complexities and risks associated with margin trading and prevent the accumulation of systemic risk.

The integration of blockchain technology into traditional market structures can also mitigate conventional risks by offering real-time visibility into holdings and exposures. By reducing the number of intermediaries required for the real-time settlement of transactions, blockchain infrastructure reduces credit and counterparty risks as well as potential operational points of failure. For example, self-custodial wallets enable customers to maintain full control of their funds, thereby reducing the risk of misuse or misappropriation of customer assets. Additionally, automated blockchain recordkeeping obviates the need for a centralized counterparty to clear and settle transactions, thereby eliminating the credit exposure that exists during the delay between trade confirmation and ownership transfer. This elimination of risk frees up assets for more efficient use and lessens the amount of capital that participants must hold in reserves, adding significant liquidity and efficiency to the system.

Additionally, CCI strongly supports clear prohibitions on insider trading—the use of material non-public information ("MNPI") to gain an unfair advantage—as such activities erode the public trust necessary for prediction markets to function as credible discovery tools. The public nature of blockchain-based prediction markets allows for more eyes on the ledger, providing a layer of public auditability that complements the Commission's oversight. Because every transaction is permanently timestamped, immutable, and visible to all participants, regulators, and exchanges, the broader market community can perform precise temporal analyses to correlate trading spikes with the windows of time before an event outcome becomes public. This decentralized transparency ensures that anomalous trading patterns can be identified and flagged in real-time, significantly increasing the deterrent against those seeking to exploit information asymmetries and providing the CFTC with a useful tool to more efficiently monitor and address potential market misconduct.[2]

Given the above-discussed compliance benefits, the CFTC should accordingly embrace applications of blockchain technology and assess how it impacts or interacts with traditional requirements—in some cases, requirements may need to be adjusted given the functioning of the technology. The benefits of this infrastructure, however, are apparent regardless of the nature of the marketplace or the traded instruments.

[2] *See, e.g.*, Ken Sweet, Well-timed bets on Polymarket tied to the Iran war draw calls for investigations from lawmakers, Associated Press (Apr. 9, 2026), available at: https://apnews.com/article/polymarket-kalshi-trump-iran-prediction-congress-d16d7bdf9a56cc1466b44baaf634aeeb.

III. In the Face of New Technologies, the CFTC Can Uphold Market Integrity While Supporting Innovation. (Questions 2 and 30)

The ANPRM seeks comment on how event contracts may be readily susceptible to manipulation and how the Commission should ensure the accuracy of the underlying data used for settlement, including in the context of smart contracts and decentralized data feeds (i.e., with blockchain technology). For decentralized prediction markets, smart contracts may trigger settlement based on received data, including from an "oracle." Rather than resorting to outright bans or skepticism of decentralized data feeds, CCI suggests the Commission adopt clear, objective rules for data feed integrity.

In many instances, decentralized data feeds provide enhanced resilience relative to traditional reporting services by eliminating a single point of failure or eliminating the problem of a small group controlling key data or information. By establishing standards that require data feeds—regardless of form—to be transparent, verifiable, and derived from high-quality sources, the Commission can ensure that data is accurate and credible, while allowing the market to benefit from innovation in this space.

Decentralized data feeds have proven to be safe and reliable tools. Any potential risks associated with them may be effectively mitigated by implementing the following measures:

- **Predefined Contract Rules:** Smart contracts could include logic to handle data anomalies, such as extreme price volatility or conflicting data reports.

- **Dispute Resolution Windows:** Establishing a mandatory challenge period between an oracle's report and final settlement allows for a transparent, public review of the data, significantly reducing the incentive for bad actors to attempt to manipulate the feed.

- **Technical Redundancy:** Encouraging the use of multiple, independent data feeds for a single contract ensures that if one feed fails or is compromised, the contract can still settle accurately based on a consensus of the remaining feeds.

As discussed above, the public nature of blockchain-based prediction markets provides a layer of public auditability that complements the Commission's oversight. When an oracle reports an outcome, the source of that data and the logic used to settle the contract are visible to all participants. This transparency ensures that even as new technologies emerge and continue to evolve, the price discovery and information-gathering functions of these markets remain reliable and trustworthy.

By setting high-integrity standards for new technologies, the Commission can fulfill its mandate to protect market participants and promote the integrity, resilience, and vibrancy of the derivatives markets while ensuring that the U.S. remains the global hub for the next generation of financial infrastructure.

IV. The CFTC Has Broad, Exclusive Jurisdictional Authority Over Derivatives Markets and Any Limitations on Product Offerings Should Be Narrowly Tailored. (Questions 7-8, 13-14 and 33-34)

The CEA provides the Commission with broad authority and exclusive jurisdiction over products that fit within the definition of "swap" in the CEA and CFTC regulations.[3] This expansive jurisdiction is a cornerstone of the U.S. regulatory regime, ensuring that derivatives markets are subject to comprehensive federal oversight. Under the CEA, the product definitions are intentionally broad, and binary options—including event contracts—which meet the definition of swaps, fall squarely within this federal remit.

The CFTC's exclusive and preemptive authority triggered by the offering and trading of swaps is critical to creating a common national market that is subject to uniform standards and comprehensive oversight. By upholding this authority, the Commission can also ensure that these markets are protected through the application of consistent federal anti-fraud and anti-manipulation rules. This application of law was recently affirmed in *KalshiEX LLC v. Flaherty*, where the U.S. Court of Appeals for the Third Circuit held that event contracts qualify as swaps under the CEA, thereby re-confirming the Commission's exclusive jurisdiction over these products.[4]

Notably, CFTC oversight of prediction markets raises the regulatory bar and applies key federal protections—an outcome that benefits and safeguards market participants and the larger financial system. Indeed, CFTC requirements centered on market surveillance, public disclosures, customer fund protections, and position limits, uphold the highest standards of market integrity and are designed to mitigate the risk of fraud and manipulation. The outcome is a win-win for investor protection and market advocates alike.

Further, CFTC oversight over event contracts, as opposed to a patchwork state-by-state regulatory framework, is a more sound approach from a legal and policy perspective given the differences between the products currently offered under state regimes and the products offered on CFTC-regulated venues. Specifically, prediction markets and event contracts are traded in a regulated many-to-many execution environment that is subject to consistent rules and eligibility standards where settlement occurs against a measurable and defined benchmark within a continuously liquid and transparent market. In contrast, gambling markets and their products involve wagers against a single counterparty (within a single state). These fundamental differences weigh in favor of the Commission clearly and definitively affirming its exclusive jurisdiction over event contracts and the registered markets that list them.

To prevent jurisdictional ambiguity with other regulators, the Commission should accordingly provide clear guidance and bright lines in a final rule that underscores and more thoroughly tailors the existing federally prescribed core principles. Furthermore, CCI urges a narrow interpretation of the "contrary to the public interest" standard,[5] as a regulator should sparingly—and only with clearly substantiated reason—impose its own judgment to impede the

[3] CEA Section 2(a), 7 U.S.C. § 2(a); CEA Section 1a(47), 7 U.S.C. § 1a(47); 17 C.F.R. § 1.3 (swap).
[4] *KalshiEx LLC v. Flaherty*, No. 25-1922 (3d Cir. 2026).
[5] CEA Section 5c(c)(5)(C), 7 U.S.C. § 7a–2(c)(5)(C).

functioning and offerings of a well-regulated marketplace. A broad interpretation would chill innovation and undermine investor demand, pushing activity to unregistered, and therefore unregulated, offshore forums. Still early in their development, well-regulated prediction markets serve the public by providing transparent price discovery, valuable hedging tools, and novel information markets.[6]

V. Conclusion

CCI thanks the Commission for advancing this ANPRM and for its commitment to supporting responsible innovation. By upholding its broad jurisdictional authority granted by Congress and embracing the technical advantages of blockchain-based infrastructure, the CFTC can cement U.S. leadership in financial innovation while maintaining the world's most secure and transparent markets. We look forward to continued collaboration with the Commission as it shapes a framework that protects consumers and strengthens the overall financial system.

Respectfully,



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[6] *See* Anthony M. Diercks, Jared Dean Katz, and Jonathan H. Wright, Kalshi and the Rise of Macro Markets, Johns Hopkins University and National Bureau of Economic Research (Feb. 12, 2026), available at: https://www.federalreserve.gov/econres/feds/files/2026010pap.pdf; Aryan Desarapu, Prediction Markets as "Truth Machines", Michigan Journal of Economics (Mar. 14, 2026), available at: https://sites.lsa.umich.edu/mje/2026/03/14/prediction-markets-as-truth-machines/.