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

Re: Comment Submission — Advance Notice of Proposed Rulemaking on Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick,

VANT Network respectfully submits this comment in response to the Commodity Futures Trading Commission's Advance Notice of Proposed Rulemaking on Prediction Markets (RIN 3038-AF65), published March 12, 2026. We welcome the Commission's initiative in seeking public comment on this important and rapidly evolving area of financial innovation.

VANT NETWORK

Comment Submission to the Commodity Futures Trading Commission

Advance Notice of Proposed Rulemaking: Prediction Markets

RIN 3038-AF65 | 17 CFR Chapter I

Executive Summary and Overview of VANT Network

VANT Network is a decentralized prediction market protocol currently in development. Our architecture combines an on-chain Automated Informed Market Maker (AIMM) with a decentralized oracle aggregation layer. VANT is backed by Techstars, Blizzard, and the Adidas Family Office, and has established a significant distribution network of content creators prior to product launch.

We submit this comment in the spirit of constructive, good-faith engagement. VANT is precisely the kind of entity this rulemaking is designed to address — a blockchain-based prediction market protocol building toward full decentralization, starting with sports event contracts and expanding to tokenized equities, ETFs, commodities, and other real-world assets. Our

comments are informed by direct experience designing the architecture the Commission is seeking to understand.

This submission is organized around a central argument: the regulatory treatment of event contracts should follow the structure of the contract, not the category of the underlying event. A binary outcome event contract that settles through an oracle consensus mechanism has the same risk profile, manipulation resistance architecture, and liquidity dynamics regardless of whether it references a sporting result, an interest rate decision, a tokenized equity price, or a commodity level. A consistent, structure-based regulatory framework would provide greater clarity, reduce regulatory arbitrage, and better reflect the actual risks and benefits of prediction markets.

This submission seeks three specific regulatory outcomes:

> *1. Confirmation that sports event contracts traded on regulated, AMM-based prediction markets with oracle-based settlement and two-sided market structure are not contrary to the public interest under CEA section 5c(c)(5)(C), and that the Commission will not treat such contracts as gaming.*
>
> *2. Adoption of a protocol/interface regulatory distinction that places licensing, KYC, AML, and compliance obligations at the front-end operator layer, while recognizing that the underlying smart contract protocol layer does not require traditional DCM registration once sufficiently decentralized.*
>
> *3. A structure-based regulatory framework that applies consistently across all binary outcome event contracts — whether referencing sporting results, tokenized equities, ETFs, commodities, or other real-world assets — enabling responsible innovation across asset classes without requiring separate regulatory treatment for each new underlying category.*

VANT's specific responses address Questions 2(a), 2(b), 2(c), 2(h), 5(b), 5(c), 19, and 29. We also offer a proposed staged decentralization framework in our response to Question 2(h) that we believe would benefit the Commission's rulemaking across all blockchain-based prediction markets.

QUESTION 2(A)

Impartial Access, Non-Discriminatory Participation, and the Role of Creator Distribution Networks

> **Question 2(a)**
>
> *Core Principle 2 states that a DCM shall provide impartial access to its markets and services, including access criteria that are impartial, transparent, and applied in a non-discriminatory manner. What aspects of prediction markets affect how a DCM provides impartial access and prohibits abusive trade practices? Are there potential barriers to impartial access that the Commission should consider? Are there particular risks of abusive trading?*

I. How Blockchain Architecture Structurally Enforces Impartial Access

The Commission's Core Principle 2 requirement of impartial, non-discriminatory access is most reliably achieved not through policy commitments by a centralized operator, but through the permissionless architecture of a smart contract-based protocol. A non-custodial prediction market operates through publicly accessible smart contracts that execute identically for every participant. There is no gatekeeper capable of selectively denying or degrading access based on identity, geography, account profitability, or any other criterion.

This is a meaningful distinction from centralized prediction markets, where the operator retains discretion to restrict accounts, adjust trading limits, or selectively route orders. The history of centralized platforms includes numerous documented instances of profitable participants being restricted or banned — precisely the outcome that Core Principle 2 is designed to prevent. A smart contract-based protocol eliminates this risk at the architectural level.

A principled approach to reconciling permissionless protocol access with AML, KYC, and counter-terrorism financing obligations follows the model established by leading decentralized exchange infrastructure. Compliance obligations are implemented at the front-end interface and fiat on-ramp layer — the points at which participants interact through an identified operator — rather than at the underlying smart contract layer, which executes identically and impartially for all participants. This layered architecture ensures that regulatory compliance obligations attach to the appropriate party: the identified front-end operator, who implements KYC verification, sanctions screening, and suspicious activity reporting, while the protocol layer remains structurally neutral.

This approach is not a means of avoiding compliance obligations — it is a more precise and effective way of implementing them. VANT is committed to full compliance with applicable regulatory requirements at every interface layer it operates or controls, and to cooperating with relevant regulatory authorities accordingly.

II. Creator Distribution Networks: Affiliates, Not Intermediaries

Decentralized prediction market protocols can distribute through networks of content creators who embed prediction markets into their social media content. The Commission should consider how this model interacts with Core Principle 2's impartial access requirement.

Such creator networks function as affiliate distribution channels, not as regulated intermediaries. Creators direct audiences to the protocol, where participants interact directly with the smart contract. Creators do not hold customer funds, execute trades on behalf of participants, provide investment advice, or exercise any discretion over market access. Their role is analogous to a media company that carries advertising for a financial product.

The Commission should provide guidance clarifying the boundary between permissible creator affiliate distribution arrangements and regulated intermediary activity, so that this distribution model can develop within a clear regulatory framework.

III. Potential Barriers to Impartial Access the Commission Should Consider

- **Wallet and onboarding friction:** Blockchain-based prediction markets require participants to hold a compatible cryptocurrency wallet. The Commission should consider whether educational disclosure requirements — rather than product restrictions

— are the appropriate response to this barrier, consistent with the Commission's goal of promoting responsible innovation.

- **Jurisdictional geoblocking:** Regulatory uncertainty causes many operators to geoblock participants from certain jurisdictions, reducing the market's public utility as an information aggregation mechanism. Clear Commission guidance would reduce geoblocking and improve impartial access.

QUESTION 2(B)

Dispute Resolution, Oracle Consensus Mechanisms, and Event Contract Settlement Integrity

> **Question 2(b)**
>
> *What factors should the Commission consider regarding a DCM's rules related to resolution criteria for event contracts? If there is a dispute regarding how an event contract is resolved, what factors should the Commission consider in setting expectations for DCMs to have rules to resolve the dispute?*

I. The Oracle Consensus Model as a Structural Dispute Resolution Mechanism

The most significant advance that blockchain-based prediction markets bring to the dispute resolution question is the replacement of discretionary, operator-controlled settlement with deterministic, consensus-based oracle settlement. A multi-provider oracle aggregation layer that derives settlement through a consensus mechanism — such that no single provider can unilaterally determine the settlement outcome — directly addresses the Staff Advisory's guidance that a DCM's settlement source be reliable, objective, and resistant to manipulation.

A consensus oracle architecture satisfies these criteria structurally rather than through operator promises. The Commission should consider this architectural distinction when evaluating the manipulation resistance and dispute resolution properties of blockchain-based prediction markets.

II. Sports Event Settlement: A Special Case

Sports event contracts present a distinct settlement challenge that the Commission should address explicitly in its guidance. Unlike financial price data, where multiple independent sources can verify a price with high accuracy, a sporting event outcome is a singular factual occurrence. A touchdown, a basket or a goal either happened, or it did not. This binary character both simplifies and complicates settlement.

It simplifies settlement because there is no ambiguity about the range of possible outcomes — only about which source is authoritative. It complicates settlement because oracle disagreements, data delays, or disputed officiating decisions can create genuine uncertainty about the correct settlement value.

Consider a concrete scenario: a match-winning goal is initially awarded by the referee, causing an oracle network to begin aggregating confirmation data. A VAR review then overturns the decision two minutes later. A well-designed consensus mechanism would require a threshold majority of oracle nodes — drawing on official league data, licensed sports data feeds, and broadcast verification sources — to report a consistent final outcome before settlement executes. Because settlement is gated on consensus rather than triggering immediately on the first data signal, the VAR reversal would be captured before the settlement threshold is reached, and the contract would resolve correctly on the overturned result. No operator discretion is required and the outcome is permanently recorded on-chain. An equivalent mechanism applies to an overturned call in the NFL or a disputed finish in a NASCAR race.

The Commission should consider establishing minimum standards for oracle-based settlement that address:

- The minimum number of independent data sources required for consensus.
- The threshold agreement level required for settlement to execute.
- The maximum permitted latency between event occurrence and settlement.
- Dispute resolution procedures available to participants when oracle consensus fails.

III. Principles for Settlement Integrity Guidance

- **Official league data as primary oracle input:** Where a sports governing body publishes official outcome data, this should serve as the primary input to the oracle consensus mechanism, creating a direct relationship between league integrity and market settlement.
- **Multi-source consensus for corroboration:** Secondary data sources should corroborate official data before settlement executes, preventing settlement based on erroneous single-source data.
- **Dispute window with on-chain governance resolution:** A defined pre-settlement window during which oracle disagreements can be flagged and resolved provides a structured mechanism for handling edge cases without requiring operator discretion.
- **Catastrophic event protocols:** Clear contractual provisions for void or pro-rata settlement in the event of cancellation or abandonment should be established in advance and encoded in the smart contract.

QUESTION 2(C)

Manipulation Resistance and Core Principle 3: Oracle-Informed Market Architecture

> **Question 2(c)**
>
> *Core Principle 3 states that a DCM may list only contracts that are not readily susceptible to manipulation. How should a determination of whether an event contract is readily susceptible to manipulation be made? What factors should be considered?*

I. The Structural Manipulation Vulnerability of Existing Architectures

To appreciate the manipulation resistance properties of oracle-informed AMM architectures, it is useful to examine the structural vulnerabilities of the two dominant existing approaches.

Limit Order Book platforms are vulnerable to manipulation through a well-understood mechanism: a sufficiently capitalized actor can place large orders against thin liquidity to move the displayed price, create false signals that influence other participants, and exit before detection. This approach is fundamentally dependent on competitive market makers to maintain accurate prices — and in illiquid markets, or at unusual hours, this competitive pressure is absent.

Traditional Automated Market Makers are vulnerable to a different manipulation: the predictable extraction of LP capital as contract resolution approaches. Because a traditional AMM is price-blind, rational arbitrageurs will systematically drain the winning asset from the liquidity pool as settlement approaches. This structural loss deters LP capital provision and results in thin, manipulable markets.

II. Oracle-Informed AMM Architecture and Manipulation Resistance

An oracle-informed AMM addresses both vulnerabilities by embedding real-time oracle consensus data directly into the market's pricing function. Rather than determining prices solely from the ratio of assets in the liquidity pool, the pricing function incorporates the current oracle consensus price as a parameter, continuously adjusting toward fair value.

The practical consequences for manipulation resistance are significant:

- **Price manipulation becomes economically self-defeating:** Any attempt to move the market price away from the oracle consensus price requires trading at an increasingly unfavorable rate. The further the price is driven from oracle value, the greater the loss on each incremental trade — imposing escalating costs on price distortion.

- **Structural LP loss is eliminated:** Proactive price adjustment toward oracle fair value eliminates the predictable arbitrage opportunities that drain LP capital in traditional AMMs, ensuring deep, persistent liquidity — which is itself a manipulation resistance property.

- **Oracle consensus is multi-source and consensus-gated:** A price derived from a consensus of multiple independent providers means no single provider can manipulate

the pricing function. An attacker would need to corrupt a threshold number of independent oracle nodes simultaneously — a substantially higher barrier than attacking a single data feed.

III. Factors for Core Principle 3 Analysis in AMM-Based Prediction Markets

- **Cost of price distortion:** The Commission should consider whether oracle-informed pricing satisfies the manipulation resistance requirement more robustly than a traditional LOB with professional market makers.
- **Liquidity depth:** The elimination of structural LP loss encourages deep community liquidity provision. Deeper liquidity directly reduces manipulation susceptibility by increasing the capital required to move prices materially.
- **Oracle integrity:** Manipulation resistance of an oracle-informed AMM is directly dependent on the integrity of the oracle consensus mechanism. The Commission's Core Principle 3 analysis should therefore focus significantly on oracle architecture — the number and independence of data providers, the consensus threshold, and the safeguards against oracle manipulation.

VANT submits that an oracle-informed AMM architecture, when combined with a robust multi-source oracle consensus mechanism, provides a stronger structural basis for Core Principle 3 compliance than the LOB-based architectures currently predominating in registered prediction markets.

QUESTION 2(H)

Blockchain-Based Prediction Markets: A Framework for Proportionate Regulation

> **Question 2(h)**
>
> *What factors should the Commission consider with respect to blockchain-based prediction markets? Are there challenges or advantages in applying existing regulations and guidance to blockchain-based prediction markets? Which areas, if any, would benefit from Commission guidance or rule amendments?*

I. Structural Advantages of Blockchain-Based Prediction Markets

Blockchain-based prediction markets offer structural properties that directly advance the Commission's core regulatory objectives. These are not incidental benefits — they are architectural properties that the Commission's framework should actively encourage.

A. Transparency and Auditability

Every transaction, price update, liquidity event, and settlement on a blockchain-based prediction market is permanently recorded on a tamper-resistant public ledger. This creates a continuous,

real-time audit trail that is categorically superior to the proprietary transaction logs of centralized platforms. Anomalous trading patterns, wash trading, and coordinated manipulation are permanently attributable at the time of occurrence. This property strengthens the Commission's surveillance capabilities rather than undermining them.

B. Permissionless Impartial Access

A non-custodial smart contract-based prediction market provides access through a permissionless protocol. Any participant with a compatible wallet interacts on identical contractual terms. There is no intermediary capable of selectively denying access — satisfying Core Principle 2's impartial access requirement through mathematical enforcement rather than policy commitment.

C. Oracle-Enforced Manipulation Resistance

As described in our response to Question 2(c), an oracle-informed AMM architecture embeds consensus data directly into the pricing function, making price manipulation economically self-defeating. This represents a structural advance in Core Principle 3 compliance over LOB-based alternatives.

II. A Proposed Staged Decentralization Framework

The Commission's existing framework was designed for entities with identifiable operators, custodial relationships, and conventional governance. Applying this framework to blockchain protocols requires the Commission to grapple with a fundamental question: who is the regulated entity when governance is distributed?

The Commission should consider adopting a staged decentralization framework that calibrates regulatory obligations to the actual governance structure of a protocol at each stage of development:

- **Stage 1 — Centrally Developed Protocol:** Smart contracts in development, not yet audited or deployed to mainnet. The development entity is identifiable and should be subject to engagement and disclosure obligations, but should not be required to obtain full DCM registration prior to mainnet deployment.

- **Stage 2 — Hybrid Operational Protocol:** Smart contracts audited and live, but with an identified operator retaining administrative functions such as oracle parameter setting, fee adjustment, or emergency circuit breakers. This operator is the appropriate regulatory contact point and should be subject to registration or licensing obligations calibrated to the functions it retains.

- **Stage 3 — Fully Decentralized Protocol:** Governance entirely on-chain, with no party retaining unilateral administrative control. The Commission should consider whether traditional operator registration remains appropriate at this stage, or whether compliance can be achieved through mandatory protocol-level transparency standards and on-chain rule enforcement.

This framework matters because forcing protocols to choose between regulatory compliance and architectural decentralization would perversely undermine the market integrity properties that decentralization provides. The framework should create a pathway toward decentralization, not a barrier to it.

III. Sports Events as Digital Assets: A Unifying Framework for All Asset Classes

A binary outcome event contract — whether it settles on the S&P 500 reaching a level, a central bank decision, a tokenized equity price, an ETF level, a commodity price, or a sporting result — is mechanically identical in its trading and settlement structure. The underlying reference differs, but the contract architecture, oracle settlement mechanism, liquidity dynamics, and manipulation risk profile are the same.

An oracle-informed AMM treats a football result, an earnings announcement, a tokenized equity price crossing a threshold, and a commodity level as equivalent inputs to the same pricing engine. The Commission's framework should similarly follow the contract structure rather than the event category — providing a more principled, consistent, and arbitrage-resistant basis for regulatory treatment across all prediction market verticals.

If the regulatory framework is structure-based rather than event-category-based, then a protocol that demonstrates compliance for sports event contracts has, by extension, demonstrated compliance for the same contract structure applied to tokenized equities, ETFs, commodities, and other real-world assets. The Commission's own Staff Letter 25-39 has already established that tokenized forms of traditional assets are regulatorily coherent provided they grant functionally equivalent legal and economic rights — the same principle should apply consistently to binary outcome event contracts that reference those same assets as oracle settlement inputs.

The Commission should confirm this interpretation so that responsible innovation across asset classes can proceed under a consistent regulatory framework without requiring fresh regulatory analysis for each new underlying reference.

IV. Sports Leagues as Oracle Validators: A Novel Integrity Model

The Staff Advisory's recommendation that DCMs engage with sports leagues and rely on official data as settlement sources points toward a model that blockchain-based oracle architecture is uniquely positioned to implement.

Rather than treating leagues as external referees of settlement disputes, sports leagues and governing bodies could participate directly in the oracle validator network. In this model:

- League data becomes a cryptographically verified primary input to settlement, satisfying the Staff Advisory's preference for official data.
- Leagues acquire a structural stake in market integrity, creating aligned incentives for information sharing and cooperation with the Commission.
- The consensus mechanism ensures no single oracle — including the league itself — can unilaterally determine settlement, protecting against conflicts of interest.
- The on-chain record of oracle inputs provides a transparent, auditable trail of every settlement.

- Leagues running validator nodes earn a share of protocol fees on markets that reference their events, creating a direct financial incentive to provide accurate, timely data — aligning commercial interests with settlement integrity.

- League validator participation provides a natural channel for the Commission's recommended information sharing on insider trading and restricted participant lists, since the league's node infrastructure already interfaces directly with the settlement mechanism.

This model converts leagues from passive data sources into active participants in market integrity infrastructure — a relationship we believe would be welcomed by leagues that have already established integrity units and data licensing programs.

V. The Protocol/Interface Regulatory Distinction: A Proposed Framework

The single most consequential guidance the Commission could issue for blockchain-based prediction markets is a clear articulation of how regulatory obligations are allocated between the underlying smart contract protocol layer and the front-end interface layer. This distinction is not novel — it already exists implicitly in how the Commission treats software developers versus registered entities — but it has not been articulated with sufficient clarity for the prediction market context.

The emergence of Uniswap as the dominant decentralized exchange infrastructure provides a concrete precedent. Uniswap's smart contract protocol operates permissionlessly and without a central operator. Compliant front-end interfaces implement KYC, geo-blocking, and other regulatory requirements at the point of user interaction, without requiring changes to the underlying protocol. The protocol is the infrastructure. The interface is the regulated access point.

The Commission should consider adopting an analogous framework for prediction market protocols:

- **Protocol layer:** The underlying smart contract protocol, once audited, deployed, and sufficiently decentralized, should not be required to obtain traditional DCM registration. Compliance obligations should be limited to transparency requirements — open-source code, publicly auditable oracle inputs, on-chain settlement records — that enable Commission oversight without requiring a centralized operator.

- **Interface layer:** Identified front-end operators who build and operate user interfaces, APIs, or other access points to the protocol are the appropriate regulatory contact points, subject to licensing, KYC, AML procedures, suspicious activity reporting, and applicable consumer protection requirements.

- **API and B2B partners:** Third-party platforms that integrate prediction market protocols through API arrangements should be subject to licensing requirements proportionate to the nature of their integration.

This framework would allow the Commission to maintain meaningful oversight of user-facing activity while not inadvertently requiring protocol developers to retain centralized control solely for compliance purposes.

The Commission need not resolve the contested definitional questions around gaming or operator registration in order to establish this framework. CEA section 4(c) authorises the Commission to exempt classes of contracts — and by extension, classes of protocol architecture — from specified provisions of the Act in order to promote responsible innovation. A §4(c) exemption for sufficiently decentralised smart contract protocols, conditioned on front-end operator licensing, KYC implementation, AML compliance, participant protection requirements, and suspicious activity reporting, would provide immediate jurisdictional certainty without requiring the Commission to first settle the broader definitional questions this rulemaking raises. The conditions would be demanding but operationally achievable, and they would attach to the appropriate regulated party — the identified front-end operator — rather than to protocol code that no single party controls. VANT respectfully requests that the Commission consider the §4(c) pathway as the near-term mechanism for implementing the protocol/interface regulatory distinction proposed in this submission.

VI. Areas Where Commission Guidance Would Be Most Beneficial

- **Staged decentralization framework:** Formal recognition of protocol development stages with calibrated regulatory obligations at each stage.
- **Oracle network standards:** Minimum requirements for oracle independence, consensus thresholds, data source diversity, and dispute resolution — providing DCMs with clear compliance benchmarks for Core Principle 3.
- **Protocol/interface regulatory distinction:** Explicit guidance confirming that licensing and compliance obligations attach to identified front-end operators, not to the underlying smart contract protocol layer, consistent with the Uniswap precedent.
- **Structure-based asset class framework:** Confirmation that a binary outcome event contract structure that demonstrates Core Principle compliance for one asset class is compliant across all asset classes using the same contract architecture.
- **Creator affiliate guidance:** Clarification of the boundary between permissible affiliate distribution and regulated intermediary activity.
- **Blockchain surveillance standards:** Guidance on how on-chain transparency satisfies or supplements traditional market surveillance obligations under Core Principle 4.
- **Pre-launch engagement framework:** A structured pathway for good-faith engagement with Commission staff during protocol development, without requiring full DCM registration prior to mainnet launch.

QUESTION 5(B)

Wash Sales and Pre-Arranged Trades in Blockchain-Based Prediction Markets

> **Question 5(b)**
>
> *CEA section 4c(a)(1) and (2)(A) provide that it is unlawful to enter into a pre-arranged or noncompetitive trade, or a wash sale. What factors should the Commission consider in applying these provisions to prediction markets? Are there aspects of prediction markets that make them more or less susceptible to pre-arranged or noncompetitive trades, or wash sales?*

I. How Blockchain Transparency Reduces Wash Sale Risk

Public blockchain-based prediction markets are structurally less susceptible to hidden wash trading than centralized platforms: every transaction is permanently recorded on a public ledger, with wallet addresses, transaction amounts, timestamps, and execution prices publicly visible in real time. Patterns consistent with wash trading — repeated round-trip transactions between the same addresses, coordinated timing, identical trade sizes — are detectable through automated on-chain analytics without requiring any cooperation from the protocol operator.

On a centralized platform, wash trading can be conducted through accounts controlled by the same beneficial owner that appear unrelated to an external observer. Detection requires the platform to analyze proprietary account data — a process that depends on the platform's cooperation and KYC quality. The blockchain's permanent public record changes this dynamic fundamentally.

II. Remaining Challenges the Commission Should Address

- **Pseudonymity:** Blockchain wallet addresses are pseudonymous rather than anonymous. The Commission should consider whether on-chain analytics tools, combined with front-end KYC requirements at fiat on-ramp points, provide a sufficient basis for wash sale enforcement in AMM-based markets.

- **Cross-chain activity:** Participants may operate across multiple chains using bridge transactions to obscure connections between related wallets. The Commission's enforcement framework should account for cross-chain analytics capabilities.

III. AMM Architecture and Wash Sale Susceptibility

AMM architecture is structurally less amenable to wash trading than a LOB-based market. In a LOB, a wash trader can place coordinated buy and sell orders that match against each other, creating artificial volume without bearing market risk. In an AMM, every trade interacts with the liquidity pool at the prevailing price curve — round-trip trades incur fees and price impact in both directions, making wash trading economically costly. The architecture itself creates a financial disincentive to wash trading that supplements regulatory enforcement.

Disruptive Trading Practices in Blockchain-Based Prediction Markets

> **Question 5(c)**
>
> *CEA section 4c(a)(5) provides that it is unlawful to engage in disruptive trading practices. What factors should the Commission consider in applying this provision to prediction markets?*

I. How AMM Architecture Mitigates Common Disruptive Trading Patterns

Many disruptive trading practices that the Commission's regulations address — spoofing, layering, and banging the close — are specific to order book markets and are either impossible or economically irrational in AMM-based markets.

Spoofing requires the placement and rapid cancellation of orders to create false impressions of supply or demand. AMM-based markets have no order book and no orders to cancel — all trades execute immediately and irrevocably against the liquidity pool at the prevailing curve price. The mechanism by which spoofing creates false price signals simply does not exist in an AMM context.

Banging the close is substantially mitigated by oracle-informed pricing. Because the pricing function centers around the oracle consensus price, sustained price distortion requires continuous, escalating capital commitment against an oracle that is continuously updating. The cost of maintaining an artificially distorted price through settlement is prohibitive.

II. Novel Disruptive Trading Risks Specific to AMM Prediction Markets

- **Oracle manipulation attacks:** Because an oracle-informed AMM pricing function is directly tied to consensus data, an attacker who can manipulate oracle inputs can influence market prices. This requires a different regulatory and architectural response than traditional price manipulation — specifically, the oracle network standards described in our response to Question 2(h).

- **Liquidity pool sandwich attacks:** A sophisticated actor can front-run a large pending trade by submitting a transaction that moves the price before the pending trade executes. Oracle-informed pricing reduces the profitability of such attacks by limiting the price range within which they are viable. The Commission should consider whether minimum block confirmation requirements or other technical standards should be mandated for prediction market AMMs.

QUESTION 19

The "Gaming" Question: A Structure-Based Framework for Distinguishing Prediction Markets from Gambling

> **Question 19**

> *CEA section 5c(c)(5)(C) lists gaming as an activity that may render an event contract contrary to the public interest. What factors should the Commission consider in determining the scope and public interest implications of this activity? How should the Commission distinguish between various types of contests?*

I. The Central Distinction: Contract Structure, Not Event Category

The question of whether an event contract constitutes gaming cannot be answered by reference to the underlying event alone. It must be answered by reference to the contract structure, the market architecture, the participant experience, and the public utility of the activity.

A binary outcome contract that settles based on a sports result, traded on a regulated DCM with oracle-based settlement, transparent pricing, and community liquidity provision, is structurally and functionally distinct from a wager placed with a bookmaker — regardless of the fact that both reference the same sporting event. The relevant distinguishing factors are:

- **Price discovery function:** A prediction market produces a continuous, publicly visible probability estimate that aggregates the dispersed beliefs of all market participants — an information good used by media, analysts, and the public. A bookmaker's odds are set to manage liability, not to aggregate information.
- **Two-sided market participation:** A prediction market is a two-sided market in which participants take opposing positions at a market-clearing price. Anyone can take either side of any contract. A sportsbook is a one-sided market in which participants always bet against the house.
- **Liquidity provision as market infrastructure:** An AMM-based model allows participants to provide liquidity to the market, earning yield from trading fees — analogous to providing liquidity to a financial exchange, not to placing a bet.
- **Settlement through verifiable data:** Oracle consensus settlement resolves contracts based on publicly verifiable data from official and independent sources. There is no house with an interest in the outcome of settlement.

II. The Public Interest Analysis for Sports Event Contracts

The Commission's public interest analysis under CEA section 5c(c)(5)(C) should weigh the following considerations for sports event contracts on a regulated, AMM-based prediction market:

Public Interest Benefits

- Sports event prediction markets produce publicly available probability estimates that are demonstrably more accurate than traditional polling or media analysis — an information benefit extending to media organizations, leagues, analysts, and the general public.
- Sports prediction markets generate a continuous, real-time signal of public sentiment that leagues, broadcasters, and integrity units actively use for operational decision-making, including broadcast rights valuation and fraud detection.

- The markets provide a hedging mechanism for participants with genuine economic exposure to sporting outcomes, including media rights holders and event-dependent businesses.

- Community liquidity provision creates a yield-generating asset class accessible to retail participants, consistent with the Commission's goal of promoting fair competition and responsible innovation.

- The community liquidity model democratizes market making — historically the exclusive domain of sophisticated institutional operators — advancing the Commission's stated goal of retail market access without FCM intermediation.

Public Interest Concerns and How Architecture Addresses Them

- **Manipulation by participants with event influence:** This concern is addressed by restricted participant frameworks drawing on official league integrity lists, and by oracle consensus mechanisms that require corroboration from multiple independent sources before settlement executes.

- **Responsible participation standards:** The Commission should consider whether mandating responsible participation standards — including optional self-exclusion mechanisms, position size disclosures, and activity monitoring tools — would address responsible gaming concerns without restricting the public utility of the markets.

III. The Commission Should Not Conflate Prediction Markets with Sportsbooks

Treating AMM-based prediction markets on regulated DCMs as equivalent to sportsbooks for the purposes of the gaming analysis would be a category error with significant adverse consequences for American market participants and financial innovation.

Sportsbooks are designed to extract value from participants through a house edge. Prediction markets are designed to aggregate information through price competition. Sportsbooks restrict winning participants. Prediction markets welcome all participants equally. Sportsbooks produce odds that reflect liability management. Prediction markets produce prices that reflect the aggregate beliefs of all market participants.

The Commission's public interest determination should recognize this structural distinction and apply the gaming analysis to the contract architecture rather than the underlying event category.

A structure-based definition of gaming — one that asks whether any counterparty holds a systemic structural advantage over the other — categorically excludes AMM-based prediction markets. An AMM has no position in outcomes, charges a symmetric fee to all participants, and cannot adjust its pricing to favour any party. Under this definition, which the Commission should consider adopting for federal regulatory purposes, a contract listed on a registered DCM with anonymous order matching, community liquidity provision, and oracle-based settlement is not gaming regardless of its underlying reference event. The same definition catches slot machines, traditional sportsbook offerings, and any contract structure in which the operator profits irrespective of outcome. It is administrable, ties directly to venue characteristics the Commission can observe, and produces consistent outcomes across all contract types.

QUESTION 29

Inside Information, Asymmetric Knowledge, and the Public Utility of Informed Trading

> **Question 29**
>
> *Is there some public interest utility if people with an asymmetric information advantage on a particular event contract are able to trade on prediction markets? Does the public interest utility depend on the type of event in question? What factors should the Commission consider in evaluating and balancing the public interest in this scenario?*

I. The Analytical Distinction Between Asymmetric Information and Control Over Outcomes

The Commission's inside information question conflates two analytically distinct categories that should be treated differently:

- **Participants with superior analysis or information:** A participant who has studied injury data more carefully than the consensus, or who has better analytical models, has an informational advantage that, when traded upon, moves market prices toward accuracy. This is the information aggregation function that makes prediction markets valuable as a public good. Excluding such participants would degrade market quality.

- **Participants with influence over or advance knowledge of fixed outcomes:** A participant who knows a contest has been fixed is not an informed trader — they are a manipulator. The distinction is between advantages derived from superior analysis of publicly available data, and advantages derived from control over or advance knowledge of a pre-determined outcome.

The Commission's regulatory framework should clearly distinguish between these categories. The first should be welcomed; the second should be prohibited and enforced against.

II. Architectural Approaches to Insider Trading Risk

Blockchain-based prediction market protocols can incorporate several features to address insider trading risk:

- **Restricted participant frameworks:** Integration of official league integrity and restricted participant lists into access control layers — restricting athletes, officials, coaches, and other defined insiders from trading in contracts referencing events in which they have a material role — is consistent with the Staff Advisory's recommendation that DCMs engage with league integrity units.

- **Oracle consensus as manipulation detection:** An oracle-informed AMM that prices continuously against consensus data means any insider attempt to move prices based

on advance knowledge of a fixed outcome would require sustained trading against an oracle that has not yet incorporated that information. The resulting price divergence from consensus would be anomalous and detectable.

- **On-chain transparency:** All trading activity is permanently recorded on-chain. Unusual position accumulation prior to a surprising outcome is visible to surveillance systems and, with appropriate regulatory access, to Commission enforcement staff.

III. The Public Interest Balance

- **Informed analytical participants should trade freely.** The public interest is actively served by participants who trade on superior analysis of publicly available information. This is the precise mechanism by which prediction markets function as information aggregation vehicles. Restricting such participants degrades the very product the Commission is seeking to regulate into existence.

- **Participants with material non-public information from a regulated role should be prohibited.** Federal Government employees and officials covered by CEA section 4c(a)(3), and others who acquire material non-public information by virtue of a regulated position, should be prohibited from trading consistent with existing law. On-chain architecture makes enforcement more tractable than in traditional OTC markets — unusual position accumulation is permanently recorded, visible, and retrospectively attributable.

- **Participants with influence over underlying event outcomes should be restricted.** Athletes, officials, coaches, and others on official league integrity lists should be excluded from trading in contracts referencing events in which they have a material role.

- **The Commission should establish a clear insider trading standard for prediction markets.** Existing frameworks developed for securities and commodity markets provide a useful starting point but require adaptation — particularly the distinction between informed analysis and outcome control. Clear guidance would reduce legal uncertainty and establish enforceable boundaries that support rather than suppress the information aggregation function of prediction markets.

Conclusion

VANT Network submits these comments at an early stage of our development, before our product is live, and before the rules that will govern it are written. We have engaged with this rulemaking deliberately and at this moment because we believe the Commission has a genuine opportunity to establish a framework that encourages the next generation of prediction market infrastructure to develop within the federal oversight structure rather than outside it.

The specific requests threaded through each of our responses reduce to three asks. First, that the Commission adopt a structure-based approach to event contract regulation that follows the

contract architecture rather than the category of the underlying event — and confirm that sports event contracts on regulated, oracle-settled, two-sided markets are not contrary to the public interest. Second, that the Commission establish a protocol/interface regulatory distinction and a staged decentralization framework that places compliance obligations at the front-end operator layer, creating a clear pathway toward decentralized architecture that best serves the Commission's own market integrity objectives. Third, that the Commission confirm that a structure-based framework applies consistently across all binary outcome event contract categories — enabling responsible innovation without fresh regulatory analysis for each new underlying reference.

VANT welcomes the opportunity to provide additional technical detail on any aspect of our architecture or distribution model at any stage of this process. We would welcome a meeting with Commission staff and are available at the Commission's convenience.

> Respectfully submitted,

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