April 30, 2026

Submitted Electronically

Re: Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick:

There have been a wide range of comments written from various points of view. There are some questions here that are better answered by exchanges, clearinghouses, attorneys, academics, and market-structure experts. I submit this comment from the perspective of someone who actually risks money on these markets.

I've been trading political and event markets since 2007 as my principal occupation. I was one of the most active traders on Intrade, later on PredictIt, and now on Kalshi. I have traded on many prediction market platforms as the industry has developed.

My work days trading event markets are largely devoted to research and reading. I sometimes design models, and often use spreadsheets. I talk to experts, and frequently consult with other people. I sometimes endeavor to find information before reporters find it. My job is time-consuming, fun, hard, rewarding, taxing, exciting, and, perhaps most of all, dynamic. What it definitely is not is random. I cringe when people casually refer to my job as "gambling."

Trying to predict what people are going to do, whether that is voters, elected officials, agencies, courts, companies, central banks, sports leagues, cultural institutions, or other decision-makers, is a lot of work! In the short term, luck can sometimes exist. That is true in every market. But over the long run, this is not luck. I have been able to consistently make a living doing this for nearly two decades.

Given my experience in this field, I wanted to share some thoughts on the questions posed by the CFTC.

1. Market pricing is a bulwark against misinformation and misleading punditry.

Many Americans are in “news silos” right now. They receive news from one perspective, or silo, that is likely delivering that news in a biased fashion. This is an issue that social media companies, among others, grapple with solving. The problem with siloing is not isolated to a single political party, and this is a problem that is becoming more prevalent, not less.

Further to that point, a lot of “news” that people receive is in the form of punditry by “experts” who predict what will happen, or interpret the news and its consequences in a very specific way. Markets cut through punditry and biased observations, and offer a perspective that will often be much closer to the truth. This is definitely not to say that markets are perfect, but only that they are clearly better than the alternative of punditry-dominated coverage.

The reason markets are better is not magic. It is incentives. A pundit can be mostly wrong over an extended period of time. Many of them are, but are called upon because they are entertaining and/or tell the audience what they want to hear. A market participant who is wrong pays for being wrong. A market participant who is right can be rewarded for being right. That does not make markets infallible, but it does create a disciplining mechanism that the public discourse does not necessarily have.

One need only go back to the 2020 election, where the pricing of Donald J. Trump to become the next President was still around 10% for months after he was declared the loser of the race. In that time, he mounted various legal and extralegal challenges to the outcome, and spoke openly of the election being overturned. Many people saw that 10% pricing as wildly incorrect for very different reasons: some thought he would definitely remain President, and others thought it was impossible.

The market pricing of 10%, while definitely imperfect, communicated reality better than the two silos. It relayed that Trump was strongly disfavored to retain the Presidency, while also communicating that the possibility of a successful legal or extralegal effort to retain the Presidency was higher than 0%. That was important information. It was not perfect information. But it was useful, disciplined, probabilistic information at a time when public discourse desperately needed it.

This is true outside politics as well. Markets on central bank decisions, inflation releases, regulatory approvals, weather outcomes, scientific milestones, cultural awards, corporate events, and many other subjects can all provide useful forward-looking information. Even people who never trade can benefit from seeing what a real-money market says about the likelihood of an event.

That public information value should not be hand-waved away. In a world drowning in vibes, punditry, tribalism, and misinformation, a liquid market price is one of the few tools that forces people to quantify their beliefs and can often be cited as less narrative-driven.

2. The cost of disallowing these markets is not negligible.

People are going to trade on events. That is the reality of the situation. The relevant regulatory question is not whether people will speculate on the future. They will. The question is whether that activity happens on regulated, surveilled, financially secure, U.S.-accessible venues, or whether it happens offshore, in gray markets, in informal betting arrangements, or through crude financial proxies.

If CFTC-regulated DCMs are permitted to operate prediction markets, a meaningful amount of event trading can move into regulated channels under the auspices of the CFTC. More market participants will join, liquidity will improve, and prices will become more robust and reliable.

If regulated prediction markets are dismantled, or if entire useful categories are made impractical, the demand will not disappear. It will move elsewhere. That would be a huge step backward. It would shove pricing on important events into darker areas with less oversight.

Academia, industry, journalists, businesses, and the general public are also less likely to cite or rely on market prices if those prices are pushed into offshore or legally ambiguous venues with fewer American participants and less regulatory oversight. That means less knowledge of market pricing and a large increase in uncertainty. And into that absence of certainty creeps biases and punditry.

The realistic alternative to regulated U.S. prediction markets is not a world where no one trades events. It is a world where event trading happens with less oversight. A regulated framework can reduce harm and increase reliability. It also brings activity into the light.

3. Public market data should be easy to access, cite, and study.

Prediction markets are most useful when their prices can be observed, cited, and studied by people who are not necessarily trading them. If the public-interest value of these markets includes price discovery and dissemination of pricing information, then data availability matters. Historical prices, volume, open interest, contract terms, resolution rules, and settlement outcomes should be easy to retrieve and compare.

Standardized public data would improve the usefulness of prediction markets. Academics, journalists, businesses, and regulators should not need to reverse-engineer the history of a market from screenshots or incomplete archives. It would also make it

easier to evaluate whether these markets are accurate, liquid, useful, and well-designed over time.

4. Retail access should not be treated as a defect.

One mistake would be to conclude that event markets are useful for institutions but too dangerous for ordinary users. That would get the issue almost exactly backwards. Retail participation is part of what makes these markets broad, liquid, and informative. Restricting useful event markets to institutions would create an information hierarchy where large firms can trade and hedge event risk, while ordinary people are left only to read punditry or use worse proxies. The better answer is not to exclude retail users, but to give them clear rules, fair access, transparent pricing, strong disclosures, and guardrails against abuse.

5. Event contracts clearly have financial, economic, and/or commercial consequences.

Politics affects industries. Regulatory decisions affect companies. Weather affects agriculture, insurance, travel, energy, and logistics. Inflation affects consumers, businesses, rates, bonds, equities, and planning. Central bank decisions affect almost everything. Court decisions can move billions of dollars. Cultural and sports events can affect media companies, advertisers, sponsors, athletes, artists, studios, and platforms.

The fact that an event contract settles to a yes/no outcome does not make it economically meaningless. It just makes the payoff cleaner.

If anything, the cleaner payoff is the point. A direct event contract can isolate the event risk better than a noisy proxy trade in equities, options, commodities, or currencies.

The idiosyncratic risk in event contracts is usually not that they lack economic purpose. It is that the event must be well-defined, the resolution source must be clear, and the market must be protected from manipulation or abuse. Those are real issues, but they are issues of market design and regulation, not reasons to pretend the instruments have no economic substance.

6. Event hedgers already use imperfect proxies.

People already crudely event-trade with existing financial instruments. There are articles before elections on what stocks to buy if Republicans win or Democrats win. There are trades around interest-rate decisions, inflation reports, regulatory events, court decisions, legislation, geopolitical events, and other real-world outcomes.

Trading corporate stocks and derivatives is just one way to predict or hedge an event. Other options include foreign exchange, commodities, sovereign debt, credit products, sector ETFs, options, volatility instruments, and other sophisticated instruments.

Why is this type of trading done before an event? Because the event matters. It is important. It is of high interest. Its ramifications can be large. The profits and losses can be large as well.

I personally have used stock and derivatives trading as a proxy for events trading, including trades in S&P puts when I was researching COVID in early 2020, trades in for-profit prison companies as a proxy for political control, trades in solar companies as a proxy for political control, and trades in coal companies as a proxy for political control.

But these are imperfect ways to trade the underlying events. I could be completely correct about a certain party taking power and the ramifications on an industry, but the specific company could announce it was under investigation for some unrelated transgression that I could never have anticipated. Or the trade could be crowded with other people with the exact same thesis, and everyone could try to exit at the same time after the event happens, causing the trade to backfire.

Trading the actual event contract is often the purest and best method for trading an event, rather than a proxy.

During the period when regulated event-market access was more limited, I briefly traded stocks as my occupation. The reason I brought that up is because I profited by investing in companies with a well-researched thesis using many of the same principles as predicting elections. But I also found that stocks were often far more random and chance-based than participating in a market on discrete events. Stocks can succumb to random company-specific news, unrelated sector moves, general market sentiment, and other things you had not anticipated and could not anticipate. Your thesis could be correct, but you could still easily lose money because of how interwoven the company is with other variables.

That is one reason I went back to event markets whenever I could. It is far less common in event trading to have a correct thesis and still lose money.

If event-oriented trading is already happening through legitimate but crude proxies, there is even more reason to bring regulated event contracts to the equation. They offer individuals and companies a more straightforward way to make similar predictions or hedges of high-importance events, with lower variance and less unrelated risk.

7. Public companies already tell investors that event risk matters.

Publicly traded corporations are required to file quarterly and annual disclosures of risks to their businesses. Countless financial disclosures include risks specifically related to politics, changes in laws, regulation, macroeconomic outcomes, litigation, agency decisions, geopolitical events, weather, supply-chain disruptions, labor conditions, and other discrete or measurable future events.

This is not theoretical. Companies constantly disclose these risks. Energy companies care about politics and regulation. Financial companies care about rates, regulation, and agency decisions. Health care companies care about legislation, FDA decisions, litigation, and reimbursement policy. Technology companies care about antitrust, privacy, export controls, regulation, and geopolitical risk. Agriculture, logistics, insurance, defense, media, and transportation all face event risks.

Being able to hedge is both important and obvious. What may be less obvious is that robust, regulated event markets also help companies and individuals quantify those risks. The contours of risk are often a blind spot. A company can know a risk exists without knowing how to measure it. Underestimating or overestimating that risk can have costly consequences.

Market pricing helps shine a light on these risks and demystify them, benefiting both traders and people who never trade at all.

8. Individuals and small businesses can benefit from prediction markets in ways that are easy to overlook.

Large companies can hire consultants, lobbyists, economists, lawyers, political-risk analysts, weather experts, and investment banks. Smaller companies cannot do that as easily. A liquid prediction market gives smaller actors access to a public price that would otherwise be expensive or impossible to obtain.

Prediction markets are not only useful to the people trading them. They are useful to people reading them. That point matters especially for smaller entities that do not have their own internal forecasting departments.

Potential rule changes should consider not only the compliance burden on exchanges, but also the information cost imposed on small businesses and ordinary users if useful markets are restricted or pushed offshore.

9. The argument that “people will gamble on this” is often a red herring.

People gamble. If someone wants to gamble, they are not bereft of choices. The options are plentiful. Some of them are legal, some are offshore, some are informal, some are embedded in financial markets, and some are just dressed up as investing.

It is not logical to shut down the stock and options market to the public because WallStreetBets users might make ridiculous, highly leveraged bets in perfectly legitimate financial instruments. Equity trading and derivatives trading are used for their intended purpose by plenty of people. Subsets of traders using financial instruments for speculation, entertainment, or gambling-like behavior do not obviate the need for everyone else to use them.

The same point applies here. A financial instrument should not be defined solely by the least sophisticated or most recreational way someone might use it. Options can be hedges or lottery tickets. Stocks can be investments or gambling chips. Event contracts can be hedges, research markets, information tools, or entertainment. The regulatory framework should recognize that range.

This does not mean marketing should be a free-for-all. If the concern is irresponsible marketing, disclosures, user protection, or addictive product design, then address those things directly. Require clearer risk warnings. Consider self-exclusion tools. Consider deposit limits. Consider advertising standards. Consider restrictions on misleading claims. Some criticism and restraints on all of these fronts may be justified.

But it is a huge leap to go from “some users may use this irresponsibly” to “the entire category is contrary to the public interest.”

If that were the standard, a very large percentage of legitimate financial markets would have to be shut down.

10. The Commission should not treat anything entertaining as automatically equivalent to gaming.

There is a tendency in this debate to treat entertainment value as if it contaminates the instrument. I think that is wrong. Many real markets involve things people enjoy talking about. Sports, movies, music, awards, television, cultural events, and media are enormous industries with real economic consequences. Awards affect careers, studios, streaming platforms, sponsorships, tours, media spending, and public attention. Sports

outcomes affect media companies, sponsorships, local economies, team revenues, coaching decisions, athlete contracts, and consumer behavior.

That does not mean every sports or entertainment contract should be listed without standards. Some categories may attract more recreational users. Some may require better disclosures or stricter marketing rules. Some may raise manipulation or integrity concerns. Those concerns should be addressed.

People enjoy predicting elections, Fed decisions, Oscars, hurricanes, sports, court cases, IPOs, and everything else. Humans are interested in the future. That is not a regulatory defect. It is the reason these markets work.

The better question is whether a contract can be clearly defined, fairly settled, effectively surveilled, and traded on an impartial exchange with appropriate guardrails.

11. Prediction markets should be regulated as impartial-access venues, not as house-banked sportsbooks.

Prediction markets are structurally different from sportsbooks and casinos in ways that matter to the Commission's analysis. A sportsbook generally sets the line, takes the other side, manages customer limits, and can remove or restrict users who become too successful. A properly regulated prediction market is different: it is an exchange venue where users trade with one another, choose whether to make or take liquidity, choose what price they are willing to accept, and can be rewarded for doing better research.

That distinction matters. The fact that some users may use prediction markets recreationally, or may lose money, does not make the venue equivalent to a sportsbook. Users can also lose money trading stocks, options, crypto tokens, commodities, or other legitimate financial instruments. The relevant regulatory question should not be whether some users make poor decisions. Some will. The better question is whether the venue provides fair access, clear rules, transparent prices, effective surveillance, and guardrails against abuse.

From that perspective, prediction markets are closer to impartial-access financial venues than house-banked gambling products. They will produce good outcomes and bad outcomes: better pricing, useful public information, hedging, niche expertise, and also insider concerns, rule disputes, and users making poor trades. The Commission should regulate those failure modes directly rather than treating user losses as proof that the entire category is sportsbook-style gaming.

12. The Commission should distinguish between markets with consequence and markets that are merely recreational.

The Commission should be willing to distinguish between markets that matter and markets that do not. I do not mean that every permitted market needs to be solemn, boring, or obviously tied to macroeconomics. That would be the wrong test. Some markets that look culturally silly at first glance can still produce useful information. But not every yes/no question deserves the same public-interest treatment simply because it can be listed as a contract.

A useful framework should ask whether the market has real public, economic, commercial, political, cultural, or informational consequence. Does the market help anyone understand the world better? Does it help anyone hedge or plan? Does it illuminate something that affects companies, governments, industries, voters, consumers, teams, artists, institutions, or public discourse? Or is it basically just a random prop dressed up as an event contract?

For example, a market on whether an NFL announcer says a random word during a broadcast is, in my view, almost entirely recreational. It does not meaningfully inform the public. It does not help anyone hedge. It does not clarify an issue of broader consequence. It is just a thing to bet on. By contrast, a market on whether the President discusses a specific policy in the State of the Union may matter a great deal. That can signal political priorities, affect industries, inform lobbying and compliance expectations, move public debate, and help people understand what issues are likely to receive government attention.

The same distinction exists in sports. A market on whether LeBron James has over 5.5 rebounds instead of under 5.5 rebounds is probably just a granular gambling-style proposition. I understand why people enjoy those markets, but I struggle to see the broader public-interest case. A market on whether the Lakers win a game, make the playoffs, or win a championship is different. That affects team revenues, media coverage, sponsorships, coaching decisions, roster decisions, futures pricing, local economic activity, and the broader ecosystem around the team and league.

This line will not always be perfect. The Commission should not pretend it will be. But imperfect lines are still better than no lines. If the Commission treats every market as either equally meaningful or equally trivial, it will miss the most important distinction. Some event contracts are basically sportsbook props. Others are compact, useful, tradable forecasts about events that matter to the world.

That distinction should weigh heavily in the public-interest analysis. Markets with real consequence should be favored, especially where they are clearly defined, fairly settled, resistant to manipulation, and capable of producing useful prices. Highly granular

markets with little or no broader consequence should receive more skepticism, especially if they are primarily recreational and difficult to distinguish from ordinary prop betting.

In other words, the Commission should not ask only, "Can this be framed as an event contract?" Almost anything can be framed as an event contract. The better question is: "Why does this market matter?"

If the answer is that it helps the public, businesses, policymakers, investors, journalists, or affected industries understand or manage a real-world risk, that should weigh strongly in favor of allowing it. If the answer is merely that some people might find it fun to gamble on, that should weigh much less heavily.

13. Rule clarity is not a side issue. It is central to prediction markets.

Prediction markets rise or fall on rule clarity. A contract with ambiguous terms, unclear settlement sources, or an unpredictable resolution process can undermine user trust and market integrity.

As someone who has traded these markets heavily, I can say that some of the most damaging disputes are not really about the underlying event. They are about ambiguous wording, bad source hierarchy, or a resolution process that does not match what ordinary users reasonably thought they were trading.

This is not a reason to prohibit prediction markets. It is a reason to regulate them well.

The Commission should encourage clear, objective, publicly available resolution sources wherever possible. When judgment is unavoidable, exchanges should disclose the hierarchy of sources, the standard of proof, the dispute procedure, and the timing of final resolution. Traders can price uncertainty. They cannot fairly price hidden or shifting standards.

There is a huge difference between a market where the event is uncertain and a market where the rule itself is uncertain. The first is the entire point. The second is a design failure.

Good regulation should push exchanges toward better contract drafting, clearer resolution sources, more consistent adjudication, and fewer avoidable disputes.

In my history of trading these markets, I have been consistent and loud that these markets need to develop internal rulebooks on rule disputes, and develop a searchable and reliable history of precedents that users can rely upon. One of the reasons markets

and legal systems function is that participants can rely on rules, precedent, and process. This same type of reliable system should be foundational as prediction markets navigate disputes.

14. Inside information should be divided into categories, not treated as one thing.

Prediction markets have an unusual relationship with information advantages. In many markets, informed trading is not a flaw. It is the whole point. A market becomes more accurate when people with better research, better models, better expertise, or better judgment are willing to trade. If everyone in a market is equally uninformed, the price is much less useful.

But "knowing more" is not one category.

A trader who reads every filing, watches every hearing, builds a model, talks to experts, notices something public but underappreciated, and trades on it is doing exactly what markets should reward. That is research. That is price discovery.

A federal employee trading on nonpublic government information obtained through official duties is different. A company insider trading on confidential corporate information is different. A person who controls whether a contract resolves Yes or No is different again.

The Commission should not flatten all of those categories into "inside information." That would be a mistake. Prediction markets need informed participants. They need people who do real work and move prices toward reality. But they also need rules against the kinds of information advantages that undermine market integrity.

A workable framework should distinguish at least four categories:

First, public research, expertise, modeling, and inference should be permitted and encouraged. That is how these markets become useful.

Second, trading on nonpublic government information obtained through official duties should be prohibited and enforced against. If someone learns a government decision before the public because of their position, they should not be able to trade on it for personal gain.

Third, trading by company insiders on confidential corporate information should be treated differently from ordinary public research. A trader inferring that a company may

file for an IPO is one thing. An executive trading on a confidential board decision is another.

Fourth, markets where the outcome is controlled by one person or a small group should receive heightened scrutiny. In those cases, the concern is not merely that someone knows more. It is that someone may be able to cause the result, leak the result, bluff the result, or trade around the result.

The right answer is not to ban informed trading. The right answer is to separate useful informed trading from abusive informed trading. Public research should be rewarded. Misuse of nonpublic government information, confidential corporate information, or direct control over the outcome should be restricted through targeted rules, surveillance, position limits, participation restrictions where necessary, and enforcement.

15. Some event contracts involve outcomes controlled by one person or a small group. That does not mean all such markets should be banned, but it does mean they require more care.

There is a real difference between a market on a broad election, a weather event, or a macroeconomic release, and a market on whether one specific person will make one specific announcement. In the latter case, the person or small group controlling the event may have an unusual ability to trade, leak, bluff, manipulate, or otherwise distort the market.

That should be addressed through contract design, surveillance, position limits where appropriate, participation restrictions in narrow cases, and clear rules.

In many event markets, attempted manipulation is also self-limiting. If someone pushes a price away from fair value without changing the underlying probability of the event, informed traders have an incentive to trade against the distortion. That does not eliminate manipulation concerns, but it is important. Open, liquid markets can correct bad prices. Darker markets cannot do that as well.

Settlement-source manipulation is a specific issue worth taking seriously. If a contract settles based on an agency release, media report, third-party announcement, or other external source, the contract should be designed to reduce susceptibility to manipulation of the source itself.

16. Nonpublic government information is a real concern, but it is not a reason to prohibit broad categories of prediction markets.

Government officials and employees should not be allowed to use nonpublic information obtained through their positions for personal gain in event contracts. If someone learns a government decision before the public because of their official position, they should not be trading on it for themselves or tipping someone else.

But that concern already points toward targeted enforcement and targeted restrictions, not a broad ban on prediction markets.

The Commission should enforce rules against misuse of nonpublic government information. Exchanges should have surveillance processes and escalation procedures. In some narrow markets, participation restrictions or enhanced monitoring may make sense.

But it would be unwise to say that because government officials might misuse information, everyone else must lose access to useful markets. That logic would prove far too much. Government information affects stocks, bonds, rates, commodities, defense companies, health care companies, and countless other instruments. We do not ban those markets because government officials might have information. We prohibit the misuse of the information.

The same principle should apply here.

17. Geopolitical and “war”-adjacent markets can provide useful information.

The Commission should be careful not to treat every market touching war, military action, or geopolitical conflict as inherently contrary to the public interest. Many potential contracts in this area may be inappropriate. I am not arguing for markets that directly incentivize violence. But there is a major difference between a market that rewards a horrific act and a market that helps the public understand the likelihood or trajectory of a major geopolitical event.

War is not a niche curiosity. Wars are real, and they affect energy prices, shipping routes, defense stocks, commodity prices, currencies, sovereign debt, insurance markets, supply chains, migration, elections, diplomatic strategy, and the lives of millions of people. If markets are supposed to help with price discovery, risk management, and

dissemination of information, then geopolitical-risk markets are among the areas where that function is most obvious.

The public already tries to forecast these events. Governments forecast them. Companies forecast them. Journalists forecast them. Analysts forecast them. Traders forecast them through oil, defense stocks, currencies, gold, volatility products, shipping stocks, and other crude proxies. The question is not whether people will form views on war or military risk. They will. The question is whether those views can be aggregated in a transparent market, or whether they remain scattered across punditry, private analysis, rumor, and noisy proxy trades.

For example, a market on whether two countries will reach a ceasefire by a certain date can be useful. A market on whether a conflict will expand beyond a specific border can be useful. A market on whether a major shipping route will remain closed, whether sanctions will be imposed, or whether a peace agreement will be signed can be useful. In some circumstances, even markets concerning military deployments may provide important geopolitical-risk information, though those markets may require more careful contract design.

There is also a misinformation point here. In geopolitical crises, public discourse is often polluted by propaganda, wishful thinking, selective leaks, and emotional analysis. A well-designed market is not perfect, but it forces people to quantify their beliefs. It gives the public a disciplined probability rather than another pundit saying something is "likely," "possible," "imminent," or "unthinkable." Those words can mean almost anything. Market prices at least force specificity.

The Commission should therefore distinguish between different kinds of "war" markets. A contract that is essentially just betting on bloodshed, or that could plausibly create incentives around violence, raises serious and obvious public-interest concerns. A contract that helps measure the likelihood, duration, expansion, or resolution of a major geopolitical conflict is different. The latter can provide useful information to businesses, policymakers, journalists, investors, and the public.

The line will not always be perfect. But the answer should not be to treat the word "war" as a sweeping topic that makes all tangential markets impermissible. Some of the most important risks in the world are geopolitical. A regulatory framework that excludes all such markets would not make those risks disappear. It would merely make them harder to price, harder to hedge, and harder for the public to understand.

And as stated earlier, traders will use financial markets to trade these events regardless of whether markets on it exist. A trader may have zero desire to own crude oil, but may start trading crude oil futures in order to express a view on a geopolitical conflict. It is possible that this view can be better expressed in a binary event contract.

18. Category-level guidance would be useful. Category-level prohibition would be dangerous.

Prediction markets would benefit from clear, prospective standards around contract drafting, source hierarchy, manipulation risk, insider participation, government-official restrictions, dispute resolution, and categories that raise heightened concerns. Exchanges should not have to guess, and users should not have to infer the rules after the fact.

But guidance should not become broad prohibition without strong evidence. The phrase "contrary to the public interest" should not become a free-floating moral veto. It should be tied to the purposes of the Commodity Exchange Act: risk management, price discovery, dissemination of pricing information, market integrity, prevention of manipulation, protection from abusive practices, responsible innovation, and fair competition.

The Commission should also be careful with the word "involve." If a contract "involves" a listed activity only because it has some remote factual connection to a controversial subject, then almost anything can be prohibited. A political market might involve war because foreign policy exists. A market on oil prices might involve war because oil prices react to war. A market on an election might involve unlawful activity because some campaign somewhere might break a law. That cannot be the right standard.

The better standard should require a direct and substantial relationship to the listed activity, not a remote or incidental connection.

On procedure, timing matters. Markets are time-sensitive. A prediction market that launches after the information value has passed is not much of a prediction market. The Commission should avoid procedures that make lawful markets impossible in practice. If review is necessary, it should be fast, predictable, and bounded.

A 90-day process may be workable for some broad categories or long-dated markets, but it can be fatal for markets tied to fast-moving current events. The Commission should take that practical reality seriously.

19. The Commission should be careful not to entrench incumbents or make compliance so difficult that only a tiny number of large companies can compete.

Prediction markets are still nascent. The best version of this industry probably does not come from one company, one model, one fee structure, or one category of markets. It

comes from competition. Different exchanges will experiment with different markets, fee structures, user interfaces, market-maker programs, rules, and resolution procedures. Some will be better than others. That is how the industry improves.

Overly broad or vague regulation would favor the largest and best-lawyered firms. It would also push smaller or newer entrants offshore, or prevent them from existing at all. That would be bad for competition, bad for users, and bad for the development of better market design.

The Commission should use the least anticompetitive means available. If a concern can be addressed through disclosure, surveillance, participation restrictions in narrow cases, clearer rule drafting, source hierarchy, or advertising standards, that is better than banning whole categories.

Competition also matters for fees. One valid criticism of prediction markets right now is that some fees are too high. The best long-term answer to that is not prohibition. It is competition.

Final thoughts.

Prediction markets are not perfect. Some contracts are poorly drafted. Some resolution processes are frustrating. Some markets are too recreational to have much public-interest value. Some marketing may be too aggressive. Some users will lose money. Some markets raise legitimate concerns about manipulation, inside information, government information, and events controlled by a small number of people.

But those are not reasons to treat prediction markets as categorically contrary to the public interest. They are reasons to regulate them carefully.

The Commission should focus on the real failure modes: unclear rules, bad settlement procedures, misleading marketing, manipulation, misuse of nonpublic information, poor surveillance, abusive practices, inadequate public data, and lack of transparency. Those problems can be addressed through targeted rules, guidance, enforcement, and market-design standards.

The realistic alternative to regulated prediction markets is not a world where people stop trading, hedging, or speculating on future events. People already do all of those things. They use stocks, options, commodities, currencies, offshore markets, informal bets, and noisy proxies. Whether the CFTC provides a workable framework or not, demand for event risk will persist.

The question is whether that activity will occur in regulated, transparent, surveilled, financially secure markets that produce useful public prices, or whether it will be pushed into darker, less reliable venues with fewer protections and less oversight.

A sound framework should distinguish between markets that matter and markets that do not; between useful geopolitical-risk markets and contracts that amount to betting on bloodshed; between public research and misuse of nonpublic information; between exchange-traded event contracts and house-banked gambling; and between risks that require mitigation and risks that justify prohibition.

The Commission should provide regulatory certainty, preserve useful markets, and address actual harms directly. Prediction markets can serve price discovery, risk management, public information, responsible innovation, and fair competition. The answer is not to dismantle them. The answer is to regulate them well.

I hope my thoughts have been worthwhile for anyone who reads them, and I look forward to the Commission's consideration.

Respectfully submitted,

Ken Fitzpatrick

Event-market trader

Las Vegas, Nevada