April 30, 2026

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

Re: **Advance Notice of Proposed Rulemaking on Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026) (RIN 3038-AF65)**

Dear Mr. Kirkpatrick:

Multicoin Capital Management, LLC[1] appreciates the opportunity to submit these comments to the Commodity Futures Trading Commission (the "CFTC" or the "Commission") in response to the Advance Notice of Proposed Rulemaking concerning event contract derivatives traded on prediction markets.[2] Our comments are offered in support of the Commission's effort to develop a coherent regulatory framework and address five issues on which we believe focused input is useful: (I) the quality-of-markets benefits that flow from exclusive federal oversight; (II) the critical need for rulemaking on contract resolution standards and dispute mechanisms; (III) the commercial and epistemic value of event contracts and the informational role they serve for the broader public, including the press; and (IV) the appropriate scope of trading oversight, framed around the distinction between outcome control and misappropriation-based insider trading.

We also wish to acknowledge and amplify the letters submitted by Professor Harry Crane, the Alternative Investment Management Association, Michael Li, the Hyperliquid Policy Center, the Solana Policy Institute and Paradigm Operations LP.[3]

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[1] Founded in 2017, Multicoin Capital is a registered investment adviser that manages a variety of pooled investment vehicles deploying private capital into promising, technology-focused companies and projects, including those that use blockchain technology.

[2] Advance Notice of Proposed Rulemaking on Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026) (RIN 3038-AF65), available at https://www.cftc.gov/sites/default/files/2026/03/2026-05105a.pdf.

[3] Prof. Harry Crane, Rutgers University, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35872 (the "Crane Letter"). Jiří Król, Alternative Investment Management Association comment, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=36011 ("AIMA Letter"). Michael Li, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35908 ("Li Letter"). Jake Chervinsky and Brad Borque, Hyperliquid Policy Center, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35909. Patrick Wilson, Solana Policy Institute, April 29, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35882. Stefan Schropp, Paradigm Operations LP, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35992.

I. Federal Regulation Improves Market Quality, Oversight, and Consumer Protection

In addition to the legislative basis, there is a straightforward policy reason prediction market trading belongs in a federal framework rather than a state-by-state patchwork: exchange trading requires liquidity, and liquidity requires a large participant pool. An exchange that cannot aggregate national order flow cannot form reliable prices, or certainly not prices as reliable as those that receive national liquidity. Similar liquidity issues have challenged the limited non-profit no-action letter prediction markets that operated in prior decades.

Federal regulation also provides robust consumer protections. First, a designated contract market ("DCM") does not act as counterparty to its customers. Prices emerge from participant interaction rather. Barring illicit behavior, customers are not banned or throttled beyond potential position limits. The Commission's Core Principle 2 impartial access requirement, properly enforced, prohibits the predatory practices — discriminatory order handling, preferential treatment for market makers at the expense of retail participants, banning profitable customers — that are, at least anecdotally, standard operating procedure in state-licensed gaming markets to which some event contract markets are often contrasted.[4] If the Commission's goal is consumer protection, a federally regulated DCM is structurally well suited to deliver.

Beyond individual market quality, a federal framework supports systemic market integrity. AIMA members, representing institutional investment managers active in CFTC-regulated markets, use prediction markets as a hedging tool for macro-related event risk.[5] The ability to hedge discrete event exposure (e.g., an FOMC rate path, an election outcome, a regulatory decision) in a transparent, CFTC-supervised exchange is a genuine risk-management use case that complements rather than competes with traditional derivatives. A coherent federal framework that keeps these products on-shore and under Commission supervision is superior to fragmentation across state regimes or migration to offshore platforms the Commission cannot reach.

II. The Commission Should Establish Guidelines for Resolution Standards and Consider Independent Dispute Mechanisms

Of all the issues raised in the ANPRM, resolution integrity may be the one most in need of Commission attention, and one that has not received sufficiently robust public debate. Event contracts settle on external real-world facts. That settlement function is not arithmetic: it may require interpretation of contested data, selection among conflicting sources, and judgment about whether the triggering event occurred in a manner consistent with the contract's terms. That is qualitatively different from how most cash-settled derivatives work, where settlement is essentially computational against a published index or price.

The consequences of contract language and poor resolution design are significant. When a contract resolves in a manner inconsistent with the plain reading of its terms, the result is widespread

[4] 17 CFR § 38.150, available at https://www.law.cornell.edu/cfr/text/17/38.150.

[5] The AIMA Letter addresses the broader market strength issues we cite here and we join with its comments and recommend it to the Commission.

participant harm and erosion of market credibility. The problem is not bad faith; it is structural. DCMs are neutral arbiters who do not themselves trade their contracts, but they maintain commercial relationships with data providers and other external counterparties who are not themselves CFTC-regulated and who may have interests in resolution outcomes. When resolution requires judgment, the architecture must account for that.

We urge the Commission to provide guidance and/or rulemaking to address issues in event contract language and resolution that may be unique relative to traditional derivatives markets that rely on trusted, specified indices and data sources. This guidance should attach to a contract's operational circumstances, not its subject matter; that is to say that the mechanism for sourcing information and interpreting that resolution in determining event outcome is not domain specific.

Furthermore, the Commission should work with DCMs to assess how to address contract resolution where a material dispute arises. Contract language regarding the appeal and arbitration of disputed contracts must be addressed to avoid unfair outcomes, process-oriented delay or other consumer harms.

The architectural precedent for the dispute resolution already exists within the CFTC's own framework. ISDA Credit Derivatives Determinations Committees provide independent, binding determinations on credit events for CFTC-cleared CDS.[6] The Commission should consider a structurally equivalent mechanism for event contracts. These could take the form of a pre-designated independent resolution body, bound by published criteria, structurally separate from the listing venue's commercial relationships, with a transparent process and a published record.[7]

Self-regulatory organizations that participate in the self-certification process under Part 40 of the Commission's regulations bear direct responsibility for this. The self-certification mechanism is not a rubber stamp; among other things, it requires the adequacy of resolution criteria. Nevertheless, given the novelty of event contracts, the Commission should make clear in guidance, and codify in rulemaking, the specific drafting standards that resolution criteria must meet: identification of the authoritative source; treatment of foreseeable ambiguities including source failure, correction, postponement, and partial occurrence; and a transparent pre-finality dispute procedure with defined timelines.

III. Event Contracts Efficiently Produce More Accurate Information

The public record in this proceeding contains documented evidence that event contracts serve real commercial and risk-management purposes that regulation should take care not to foreclose. Event

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[6] *See* Edward Parker, Comprehensive Review of the Functioning of Credit Derivatives Determinations Committees, Mayer Brown, (Nov 22, 2024), available at https://www.mayerbrown.com/en/insights/publications/2024/11/comprehensive-review-of-the-functioning-of-credit-derivatives-determinations-committees. For a broader discussion of resolution mechanisms, we cite to and recommend the comment of Professor Harry Crane, Rutgers University, available at https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=115284&SearchText=Project (the "Crane Letter").

[7] One form of alternative resolution method is described in a comment letter from Risk Labs. Hart Lambur, Risk Labs, April 30, 2026, available at https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35910.

contract markets, once available, can attract hedging use cases that regulators could not have anticipated in advance and that no other instrument may be able to efficiently serve. Prof. Harry Crane cites several compelling examples in his comment, which we seek to amplify and support.[8] Among them are New York City restaurants' use of Kalshi's indoor dining closure market during the COVID-19 pandemic as a hedge against operating uncertainty, and small business owners hedging qualified business income deduction's scheduled expiration political event contracts. These are not speculative characterizations of theoretical future uses; they are documented instances from the first few years of modern prediction markets. The Commission should not foreclose this class of use cases based on a premature assessment of hedging demand that the industry's early history has already refuted.

Beyond commercial hedging, event contracts serve an epistemic function that is relevant to the public interest determination under Section 5c(c)(5)(C). The CEA's statement of purpose at Section 3(a) describes the public interest served by derivatives markets as "providing a means for managing and assuming price risks, *discovering prices, or disseminating pricing information*." Price discovery and price dissemination are not synonymous with cash market reference pricing — they encompass the aggregation of dispersed information into a publicly available signal that decision-makers can use. Prediction market prices on election outcomes, regulatory decisions, monetary policy, and economic data releases serve exactly this function. They are the only market instrument that produces a continuously updated, publicly observable probability estimate for events that have large economic consequences but are not directly hedgeable through any traditional derivative.

The history of non-profit prediction markets deserves mention here, even though that history is constrained by the no-action conditions under which those markets have operated. The Iowa Electronic Markets, which have operated under CFTC staff no-action relief since 1993, and the Victoria University of Wellington market (CFTC Staff Letter No. 14-130, Oct. 29, 2014) have demonstrated, under research conditions and within the limitations imposed by those no-action letters, that incentivized event contract markets aggregate information more accurately than surveys and polls. Modern commercial prediction markets operating on a larger scale have extended and confirmed those findings. Research shows that prediction market prices were better predictors of electoral outcomes than state-of-the-art polling aggregators, and have provided real-time probability signals during the COVID-19 pandemic, geopolitical events, and monetary policy decisions that no other source efficiently provided.[9]

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[8] The Crane Letter.

[9] The academic literature on prediction markets as information aggregation mechanisms is substantial and consistent, and it predates the more robust, liquid markets that have been facilitated by more recent CFTC-regulated markets. See Justin Wolfers & Eric Zitzewitz, Prediction Markets, 18 J. Econ. Persp. 107 (2004), available at https://www.aeaweb.org/articles?id=10.1257/0895330041371321 (market-generated forecasts typically accurate and superior to most benchmarks); Robert Forsythe et al., Anatomy of an Experimental Political Stock Market, 82 Am. Econ. Rev. 1142, 1142 (1992), available at https://ideas.repec.org/a/aea/aecrev/v82y1992i5p1142-61.html (Iowa Political Stock Market "dominated opinion polls in forecasting the outcome of the 1988 presidential election"); Joyce E. Berg, Forrest D. Nelson & Thomas A. Rietz, Prediction Market Accuracy in the Long Run, 24 Int'l J. Forecasting 283, 283 (2008), available at https://www.biz.uiowa.edu/faculty/trietz/papers/long%20run%20accuracy.pdf (IEM forecasts

Of particular relevance to the Commission's public interest inquiry is the epistemic function these markets serve for the press. The Fourth Estate depends on reliable probability estimates of contested future events (e.g., elections, government actions, policy outcomes) to inform its coverage. Survey-based polling is expensive, episodic, and increasingly unreliable. Prediction market prices are continuous, publicly observable, and incentive-compatible. Major news organizations already incorporate Kalshi and Polymarket prices into their election coverage as indicators of aggregate informed expectation.[10] The informational value to the press of well-functioning regulated prediction markets is a cognizable public interest benefit, and one that the Commission's framework should be designed to preserve rather than inadvertently foreclose.

IV. Trading Oversight Should Focus on Outcome Control and the Misappropriation Theory of Insider Trading

The ANPRM's questions on insider trading reflect a genuine regulatory challenge, but the current public debate conflates two analytically distinct phenomena that require different regulatory responses. The Commission should be precise about which problem it is addressing.

The first is *outcome control*: a trader who can directly influence or determine whether the underlying event occurs (e.g., a corporate executive who can time the release of an earnings announcement, a referee who can affect a sporting outcome, a government official who can decide whether to take a regulatory action). A trader with outcome control can both profit from a position and determine whether that position pays off. This is not price discovery; it is extraction. Contracts should be assessed at certification for this risk, and the Commission's prohibition on manipulation under Section 6(c)(1) and Rule 180.1 applies directly. The Commission's existing *excluded commodity*

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closer to eventual election outcome than contemporaneous polls 74% of the time across 964 comparisons, 1988–2004); Paul W. Rhode & Koleman S. Strumpf, Historical Presidential Betting Markets, 18 J. Econ. Persp. 127 (2004), available at https://www.aeaweb.org/articles?id=10.1257/0895330041371277 (organized prediction markets from 1868–1940 accurately forecast elections in the pre-polling era, resisting manipulation); Erik Snowberg, Justin Wolfers & Eric Zitzewitz, Prediction Markets for Economic Forecasting, Handbook of Economic Forecasting 657 (2013), available at https://www.nber.org/system/files/working_papers/w18222/w18222.pdf (synthesizing evidence on markets as forecasting tools for political, economic, and policy outcomes); Bo Cowgill & Eric Zitzewitz, Corporate Prediction Markets: Evidence from Google, Ford, and Firm X, 82 Rev. Econ. Stud. 1309 (2015), https://funginstitute.berkeley.edu/wp-content/uploads/2014/04/CorporatePredictionMarkets1.pdf (internal prediction markets at three major corporations improved upon expert forecasts by up to 25%, demonstrating real-world information aggregation).

[10] *See, e.g.,* Press Release, CNBC and Kalshi Strike Exclusive Partnership, CNBC (Dec. 4, 2025), available at https://www.cnbc.com/2025/12/04/cnbc-and-kalshi-strike-exclusive-partnership.html; Sara Fischer, CNN Strikes Prediction Data Partnership with Kalshi, Axios (Dec. 2, 2025), available at https://www.axios.com/2025/12/02/cnn-kalshi-prediction-market-data; How Prediction Markets Polymarket and Kalshi Are Gamifying Truth, Bloomberg (Feb. 23, 2026), available at https://www.bloomberg.com/features/2026-prediction-markets-polymarket-kalshi. While some critics question whether commercial arrangements may impact editorial independence, the value of these partnerships demonstrates a journalistic confidence in the value of the date, itself. *See* Inside Media's Risky Bet on Explosive Prediction Markets, The Wrap (Jan. 16, 2026), available at https://www.thewrap.com/media-platforms/journalism/polymarket-kalshi-cnn-cnbc-dow-jones/;

definition at Section 1a(19)(iv) already provides a statutory hook: an eligible event contract must concern a contingency "beyond the control of the parties to the relevant contract." DCMs should be required to demonstrate at self-certification that the underlying event is structurally beyond the control of any market participant.

The second is *misappropriation-based insider trading*: a trader who does not control the outcome but possesses material non-public information obtained in breach of a duty of confidentiality. This category is already addressed under the CEA's existing framework. CEA Section 6(c)(1), codified at 7 U.S.C. § 9(1), and Rule 180.1 thereunder prohibit the use of any "manipulative or deceptive device or contrivance" in connection with any swap or commodity contract. The Commission's own Enforcement Division has confirmed in its February 2026 advisory that misappropriation-based insider trading is actionable in event contract markets under this authority.

A relevant precedent from the Department of Justice is instructive. In *United States v. Chastain*, 21 Cr. 3 (S.D.N.Y. 2022), aff'd, 2023 WL 4825569 (2d Cir. 2023), the Second Circuit upheld the wire fraud conviction of an OpenSea product manager who used non-public information about upcoming NFT featured listings — information entrusted to him in his employment — to purchase NFTs in advance of their promotion. The court's analysis applied the classical misappropriation theory: the defendant owed a duty to his employer not to use confidential information for personal gain; he breached that duty; and the breach resulted in economic harm to counterparties. The wire fraud statute reached the conduct because it involved a scheme to defraud through the misappropriation of information. The *Chastain* framework translates naturally to prediction market event contracts. A trader who obtains material non-public information about an impending event (e.g., a government action or a corporate decision) through a position of trust or confidence and trades on that information in violation of that duty is engaged in misappropriation. CEA Rule 180.1 reaches such conduct through its anti-fraud and anti-manipulation authority, and the Commission should make clear through guidance that this is a live enforcement theory in prediction market contexts.

What the Commission should not do is treat *informed trading* as a problem, in and of itself; the nature of information asymmetry must present a breach of duty or law.[11] A trader who knows more than the market because she has better models, sharper analysis, or access to publicly available information that she has synthesized more effectively is doing exactly what prediction markets are designed to incentivize. Sophisticated collection of data and analysis thereof without a violation of some law or duty constitutes price discovery, not extraction. The Commission's surveillance obligations should be calibrated to identify outcome control and duty-breach misappropriation, not to interrogate every profitable trade. As Professor Crane observed in his comment letter to the Commission, informed trading is the mechanism by which prediction markets achieve accuracy, and rules that suppress it will degrade market quality without addressing the conduct that actually warrants prohibition.

[11] *See, e.g.,* the Li Letter for further discussion of the dynamics of information asymmetry absent a connection to fraud via the violation of duty. *See*, also, *CFTC v. Wilson & DRW Investments*, No. 13-cv-7884, 26 (S.D.N.Y. Nov. 30, 2018) ("It is not illegal to be smarter than your counterparties in a swap transaction….").

We note that CEA Sections 4c(a)(3) and 4c(a)(4) already address one specific and important category of the duty-breach problem: federal government employees and Members of Congress who trade on material non-public information acquired by virtue of their government employment. Those provisions apply to event contract markets by their terms and require no expansion. For the broader population of non-governmental actors, the misappropriation theory under Rule 180.1 provides the applicable framework, and the Commission should deploy it.

Conclusion

Event contract markets are a genuinely new class of derivative instrument, and the regulatory framework that governs them will shape whether they develop into a transparent, federally supervised source of hedging capacity and price discovery, or migrate offshore or to less-regulated state venues where the Commission's oversight authority does not reach. We urge the Commission to: affirm the jurisdictional clarity that the statute and recent judicial decisions provide; confirm the consumer protection and market quality advantages of the federal framework; establish mandatory, enforceable standards for contract resolution and dispute mechanisms that self-certifying DCMs must satisfy; recognize the commercial, epistemic, and public-information benefits of well-functioning prediction markets; and calibrate trading oversight around the specific misconduct — outcome control and duty-breach misappropriation — that actually warrants prohibition, rather than around informed trading that is the mechanism of price discovery itself.

Thank you for your consideration of these comments.

Respectfully submitted,

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