THE COALITION FOR PREDICTION MARKETS

Submitted electronically

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

July 31, 2026

Re: <u>Response to the Commodity Futures Trading Commission's Notice of Proposed Rulemaking on Data Reporting Requirements for Certain Event Contracts</u> (RIN 3038-AF73)

Dear Secretary Kirkpatrick,

The Coalition for Prediction Markets (the "***Coalition***") is a bipartisan coalition dedicated to preserving fair and transparent access to prediction markets. Our members work with policymakers, regulators, and the public to facilitate the orderly development of federally regulated prediction markets.

The Coalition is committed to a data reporting and recordkeeping framework that facilitates effective market surveillance, is tailored to the risk profile of the products involved, and is calibrated to appropriately balance costs and regulatory benefits. The Coalition appreciates the opportunity to submit these comments on the Commodity Futures Trading Commission's ("***CFTC***" or "***Commission***") notice of proposed rulemaking ("***NPRM***" or the "***Proposal***") on data reporting requirements for certain event contracts.[1]

As set forth below, the Coalition supports the NPRM's core framework and proposed reporting thresholds. The Coalition requests that the Commission clarify that the proposed reporting thresholds will not be subject to aggregation and respectfully recommends: (1) extending the NPRM's scope to include futures event contracts; and (2) modifying the trader-identifying data requirement in proposed §16.03(g) to reflect the realities of FCM-intermediated markets.

I. The Coalition Supports Codifying an Appropriate Reporting Regime for Covered Event Contracts, Including Those Listed as Futures

The Coalition strongly supports the Commission's efforts to codify an appropriate reporting regime for Covered Event Contracts.[2] The current swaps reporting regime was designed for

[1] Data Reporting Requirements for Certain Event Contracts, 91 Fed. Reg. 40102 (July 1, 2026), *available at* https://www.federalregister.gov/documents/2026/07/01/2026-13239/data-reporting-requirements-for-certain-event-contracts [hereinafter "NPRM"].

[2] The proposed definition of "Covered Event Contract" under the NPRM is a four-prong test: the contract must (1) meet the swap definition in CEA § 1a(47)(A)(i) or (ii), (2) be listed for trade on a designated contract market and

bespoke, bilateral instruments and is a poor fit for these standardized, exchange-traded contracts. As the Commission recognizes in the Proposal, although event contracts generally fall within the statutory "swap" definition, Covered Event Contracts share key characteristics with futures and options on futures – highly standardized terms, exchange-trading protocols, and fungibility – rather than the bilateral, customized, over-the-counter features of traditional swaps that Part 43 and Part 45 of the Commission's regulations were built to capture.[3] And as the Commission acknowledges, the systemic and counterparty credit risks associated with Covered Event Contracts are lower than those associated with traditional swaps and swaps market participants since Covered Event Contracts must be fully collateralized and cleared through a derivatives clearing organization ("***DCO***").[4]

From a practical standpoint, the requirements in Part 45 of the Commission's regulations contain numerous data fields designed for bespoke bilateral swaps that have no application to a standardized, fully collateralized $1 binary contract. Requiring investment in swap data repository reporting infrastructure for these instruments would impose real costs without generating any additional useful information – a conclusion Commission staff has effectively reached sixteen times for over nearly a decade through the Staff Event Contract Reporting No-Action Letters.[5]

The Proposal represents sound regulatory practice, replacing an ad hoc approach with one that will provide consistency and certainty for market participants. As the Commission articulated in the Proposal, reliance on staff no-action letters alone leads to many inefficiencies and problems for market participants: no-action letters are staff positions that lack the force of law; serial no-action letters are an inefficient tool for addressing recurrent issues; and reliance on no-action relief leads to uncertainty for applicants and may chill innovation.[6] The Coalition recognizes the essential role of the Commission's surveillance of prediction markets. The durable framework articulated in the Proposal will enhance transparency, competition, and market integrity.

In order to strengthen the reporting regime for Covered Event Contracts, the Coalition respectfully recommends that the Commission amend the definition of Covered Event Contracts under the proposed rule so that futures contracts that are fully collateralized, traded on a registered designated contract market ("***DCM***"), cleared through a registered DCO, and otherwise satisfy the Commission's applicable requirements be included within the Proposal's scope. These contracts share key characteristics with the swaps that fall under the proposed

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cleared through a derivatives clearing organization, (3) trade as a fully collateralized position, as defined in § 39.2 of the Commission's regulations, and (4) either have a binary payout structure or a variable payout structure. NPRM at 40106.

[3] *Id.* at 40105.

[4] *Id.*

[5] *Id.* at 40104.

[6] *Id.* at 40105.

definition,[7] and failing to include futures contracts within the definition will create regulatory gaps, for example in the treatment of futures event contracts for large trader reporting.

II. The Coalition Supports the Proposed 125,000-Contract Reporting Level and Reportable Trading Volume Level and Requests the Commission Clarify that Aggregation Will Not Apply to These Thresholds

The Coalition supports the proposed amendments establishing a 125,000-contract reporting level and reportable trading volume level for Covered Event Contracts, in place of the default 25-contract position and 50-contract volume thresholds.[8]

The default position and volume thresholds are unworkable for Covered Event Contracts. Given the prevailing $1 contract size and significant retail participation in prediction markets, the default thresholds would sweep accounts with minimal exposure into a large trader reporting system designed to analyze the positions of significant institutional traders. That outcome would burden retail participants and DCMs while overwhelming the Commission with data of little surveillance value.

The Commission's proposed recalibration to a $125,000 notional threshold is tailored to capture the market's largest participants, such as market makers and institutional traders, while excluding the vast majority of retail traders. The Proposal thus appropriately meets the Commission's oversight needs without imposing overly burdensome requirements on small traders.

These thresholds should apply on a per-contract basis, without aggregating positions or trading volume across related contracts. Aggregation makes sense for traditional futures because a dominant position in a deliverable commodity can distort prices or enable cornering; the Commission accordingly aggregates a trader's positions across expiry months for a given underlying asset and contract size. Event contracts present no comparable risk. Because payouts turn on the occurrence of a specified event rather than a limited physical supply, the number of contracts that can be created is effectively unbounded, and no participant can corner an event contract market regardless of position size or trading volume. The Coalition urges the Commission to clarify that the 125,000-contract position and volume thresholds will not be subject to aggregation, consistent with the Commission's treatment of event contracts in Exhibit 1 to the NPRM.[9]

III. Proposed § 16.03(g) Should Be Revised To Reflect Intermediated Models

The Coalition encourages the Commission to revise Proposed § 16.03(g) to reflect the use of intermediation. As proposed, § 16.03(g) would require DCMs listing Covered Event Contracts to obtain for every trader, their name, physical address, email address, phone number, occupation,

[7] *Id.* at 40106.

[8] *Id.* at 40109-10.

[9] *Id.* at 40119-20.

and employer,[10] and to retain this information for the life of the contract plus five years.[11] The requirement extends to accounts intermediated by futures commission merchants ("***FCMs***").

While the Coalition does not take a position on the appropriate scope of the data required under proposed § 16.03(g), the requirement to collect such information from customers with intermediated accounts would impose substantial burdens on DCMs. The NPRM assumes that DCMs generally collect the required trader-identifying information for intermediated accounts.[12] However, in an FCM-intermediated model, the customer relationship – and the associated onboarding, KYC, and due diligence – resides with the FCM. As the Commission acknowledges, there is also no automatic mechanism for DCMs to transmit employment and occupation information to the Commission.[13] For these reasons, the Proposal's conclusion that the burden of the proposed § 16.03(g) would be de minimis is flawed: the Commission's cost analysis does not account for the cost of building and maintaining a new FCM-to-DCM transmission channel for sensitive personal information and the associated additional data-security and retention obligations.[14]

The Coalition therefore proposes an amended § 16.03(g) that reflects how FCM-intermediated markets operate, preserves the established process by which DCMs obtain end-trader information, and avoids duplicating customer due diligence that FCMs already perform.

The Coalition respectfully requests that under a revised § 16.03(g), FCMs be the data collection point for intermediated accounts. Specifically, the Coalition proposes that § 16.03(g) be revised to permit a DCM to satisfy its obligation with respect to intermediated accounts by maintaining rules and procedures that require the FCM to provide specified end-trader identifying information promptly upon request, rather than imposing a blanket ongoing requirement that the DCM itself collect and retain such information at all times.

This revision would be consistent with the Commission's stated goals in the NPRM: consistency and robust surveillance. The Proposal allocates reporting responsibilities to intermediaries elsewhere, such as proposed §§ 17.00(j) and 17.01(f), which carefully calibrate obligations in mixed-intermediation markets.[15] Proposed § 16.03(g) should follow the same logic.

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[10] As well as the names of guarantors and 10-percent-or-greater financial interest holders.

[11] *Id.* at 40112.

[12] *Id.* ("The Commission understands that DCMs listing Covered Event Contracts generally already collect trader-identifying information for both intermediated and non-intermediated customers").

[13] *Id.* at 40121 ("The Commission recognizes that while DCMs are required to collect information on the employment and occupation of all traders under the Proposed Rule, there is not an automatic mechanism similar to Forms 102A and 102B to transmit this information to the Commission").

[14] *Id.* at 40119.

[15] *Id.* at 40108 (addressing large trader reporting).

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IV. Conclusion

The Coalition appreciates the opportunity to comment on the Proposal and supports the Commission's efforts to codify a durable, surveillance-focused reporting regime for Covered Event Contracts. The Coalition respectfully urges the Commission to adopt the Proposal with the revisions discussed above.

The Coalition looks forward to continuing to work with the Commission to facilitate the development of prediction markets under a consistent federal framework with a robust surveillance regime.

Sincerely,

The Coalition for Prediction Markets