Polymarket US

August 24, 2026

BY ELECTRONIC SUBMISSION

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

Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance – RIN 3235–AN79; File No. S7-2026-21

QCX LLC, a designated contract market (**DCM**), and QC Clearing LLC, a derivatives clearing organization (**DCO**, and with the DCM, **Polymarket US** or **we**) respectfully submit the following comments in response to the Commodity Futures Trading Commission's (**CFTC**) and Securities and Exchange Commission's (**SEC**, and together with the CFTC, the **Commissions**) Joint Request for Comment on Further Definition of Swap and Security-Based Swap and on Alternative Compliance (**Joint Request for Comment**).[1] As the operator of a DCM and DCO offering execution and clearing for event contracts, Polymarket US welcomes the Commissions' efforts to provide greater clarity regarding these product definitions and resulting jurisdictional boundaries, and to streamline and harmonize their respective regulatory regimes in areas of overlap. Polymarket US particularly supports drawing clear distinctions between event contracts that are swaps subject to the jurisdiction of the CFTC (**Event-Based Swaps**) and event contracts that are security-based swaps subject to the jurisdiction of the SEC (**Event-Based SBS**) and eliminating or reducing duplicative regulatory requirements where firms seek to offer both products.

As described in more detail below, Polymarket US respectfully requests that the Commissions: (1) clarify that an event contract will constitute an Event-Based SBS only when the instrument meets all required elements of the SBS Event Contract Prong (as defined below), including the requirement that the event in question "directly affects the financial statements, financial

[1] Securities and Exchange Commission, Commodity Futures Trading Commission, *Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance*, 91 Fed. Reg. 37873 (June 24, 2026) (File No. S7-2026-21) (RIN 3235-AN79). Unless otherwise defined herein, capitalized terms used in this letter have the meanings ascribed to them in the Joint Request for Comment.

condition, or financial obligations" of a securities issuer. Consistent with the statutory text, the requirement of a "direct effect" should be construed narrowly, such that it is satisfied only when the occurrence, non-occurrence or the extent of the occurrence of the relevant event proximately causes and results in a legally binding or accounting-recognizable change to a security issuer's financial statements, financial condition, or financial obligations, without intervening discretionary actions, market responses or contingent future developments.

Polymarket US further requests that the Commissions coordinate to enable substituted or alternative compliance mechanisms for DCMs that provide access to both Event-Based Swaps and Event-Based SBS and consider opportunities to harmonize and standardize the Commissions' respective data reporting regimes for swaps and SBS. A streamlined, harmonized regulatory regime is particularly critical as prediction markets and other innovative and rapidly expanding markets respond to demand for a wide array of products spanning the Commissions' respective jurisdictions. As the agencies' Chairmen have noted, "for decades, regulatory turf wars, duplicative agency registrations, and different sets of regulations between the SEC and CFTC have stifled innovation and pushed market participants to other jurisdictions."[2] Chairman Selig explained that a mechanism for substituted or alternative compliance would "eliminate duplicative, burdensome rules" and allow the agencies' regulatory frameworks to "evolve and modernize to accommodate the needs of [their] market participants."[3] As Chairman Atkins has observed, "over time, innovation has a way of blurring [the] boundaries" between SEC- and CFTC-regulated markets.[4] Market participants and market operators expect to and should be able to provide and transact in product suites that span these markets without becoming forced "to navigate two agencies, two regulatory regimes, two or more examination cycles, two reporting pipelines, and often two supervisory cultures, even where the underlying risks are substantially similar."[5]

A harmonized regulatory approach between the CFTC and the SEC enables the United States to maintain its dominance in financial markets for years to come. This approach leverages the expertise of each agency for their respective markets, and harmonized rules enable operators to run efficient markets that put customer protection, not regulatory turf, first.

[2] SEC and CFTC, SEC and CFTC Announce Historic Memorandum of Understanding Between Agencies (Mar. 11, 2026), https://www.sec.gov/newsroom/press-releases/2026-26-sec-cftc-announce-historic-memorandum-understanding-between-agencies (statement of SEC Chairman Paul S. Atkins).
[3] *Id.* (statement of CFTC Chairman Michael S. Selig).
[4] SEC Chairman Paul S. Atkins, Fostering Regulatory Harmony Between the SEC and CFTC (Mar. 10, 2026), https://www.sec.gov/newsroom/speeches-statements/atkins-fostering-regulatory-harmony-between-sec-cftc-031026.
[5] *Id.*

I. Definitional Clarity for Event Contracts That Constitute Security-Based Swaps

The event contracts traded and cleared by Polymarket US are swaps under the Commodity Exchange Act (**CEA**), encompassed within multiple sub-definitions of CEA § 1a(47)(A).[6] In response to Question 3 of the Joint Request for Comment, clarity is needed for markets offering access to event contracts to distinguish between Event-Based Swaps and Event-Based SBS.[7] As such, we are pleased to provide our views on the definition of "security-based swap" under the Securities Exchange Act of 1934 (**Exchange Act**), as amended by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (**Dodd-Frank**), as it applies to event contracts.

As the Commissions summarize in the Joint Request for Comment, Title VII of Dodd-Frank defines "security-based swap" in Section 3(a)(68) of the Exchange Act as any agreement, contract or transaction that is a swap and is based on: (i) "an index that is a narrow-based security index, including any interest therein or on the value thereof" (**SBS NBSI Prong**); (ii) "a single security or loan, including any interest therein or on the value thereof" (**SBS Single Security Prong**); or (iii) "the occurrence, nonoccurrence, or extent of the occurrence of an event relating to a single issuer of a security or the issuers of securities in a narrow-based security index, provided that such event directly affects the financial statements, financial condition, or financial obligations of the issuer" (**SBS Event Contract Prong**).[8]

For the reasons set forth below, the SBS Event Contract Prong is the only prong of the security-based swap definition applicable to event contracts and should be construed narrowly as a matter of basic statutory construction and interpretation. As the statutory text and the Commissions' prior interpretation of it demonstrate, the category of Event-Based SBS was intended to cover a significantly narrower swath of contracts than the category of Event-Based Swaps. An event contract should be determined to be an Event-Based SBS only if the relevant event related to a

---

[6] *The CEA defines a "swap" to include, among other things,: "any agreement, contract, or transaction … that provides for any purchase, sale, payment, or delivery (other than a dividend on an equity security) that is dependent on the occurrence, nonoccurrence, or the extent of the occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence," excluding security-based swaps as defined in 15 U.S.C. 78c(a)(68). 7 U.S.C. 1a(47)(A)(ii). That such definition encompasses the event contracts traded and cleared by Polymarket US is consistent with the CFTC's and its Chairman's position on this matter. See, e.g., Brief for Amicus Curiae Commodity Futures Trading Commission in Support of Appellant and in Support of Reversal, N. Am. Derivatives Exch., Inc. D/B/A Crypto.com | Derivatives N. Am. v. State of Nevada, No. 25-7187 (9th Cir., filed Feb 17, 2026); Michael Selig, States Encroach on Prediction Markets, Wall St. J. (Feb. 16, 2026), https://www.wsj.com/opinion/states-encroach-on-prediction-markets-6eb43af9.*

[7] For purposes of this letter, we omit discussion of "mixed swaps," subject to the joint jurisdiction of the Commissions. The Commissions have made clear that the category of mixed swaps is intended to be narrow, covering only a small subset of instruments. *Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Record Keeping,* 77 Fed. Reg. 48,208, 48291 (Aug. 13, 2012) (the "**Product Definitions Adopting Release**").

[8] *See* Joint Request for Comment at 37875, citing 15 U.S.C. 78c(a)(68).

securities issuer proximately causes and results in a legally binding or accounting-recognizable change to an issuer's financial statements, financial condition, or financial obligations *without* further discretionary actions, market responses, or contingent future developments.

A. The SBS Event Contract Prong is the only prong applicable to event contracts as a matter of statutory construction.

As a baseline matter, an event contract could only constitute an Event-Based SBS under the SBS Event Contract Prong and not under the SBS NBSI Prong or the SBS Single Security Prong. A plain reading of the definition of security-based swap supports this conclusion. First, the word "including" in the SBS NBSI Prong and the SBS Single Security Prong confirms that the phrase "any interest therein or on the value thereof," in each case, is illustrative and clarifying, not enlarging. Read naturally, "including" introduces items that remain bounded by the preceding category, such that the phrase "any interest therein or on the value thereof" does not broaden prongs (i) and (ii) to potentially reach *events* relating to an issuer of securities because such events would not themselves constitute narrow-based securities indices or securities, respectively. This interpretation is strongly supported by the Commissions' interpretation of the SBS definition in the Product Definitions Adopting Release, where the Commissions, for example, described the SBS NBSI Prong as covering "swaps based on a narrow-based security index," and nothing more.[9]

Further, if an event contract could be a security-based swap under the SBS NBSI Prong or the SBS Single Security Prong of the definition, then the SBS Event Contract Prong would be rendered redundant and effectively meaningless. This reading would be contrary to the rule against surplusage, which generally requires a court to give effect to every word in a statute so that none is rendered superfluous, and which the Supreme Court recently affirmed "applies with special force [where a] statutory construction…renders an entire subparagraph meaningless."[10]

B. The Commissions' interpretive history confirms that only the SBS Event Contract Prong reaches event contracts; reading other prongs to include them would render it superfluous.

The Commissions have consistently interpreted the swap and security-based swap definitions such that only the SBS Event Contract Prong is relevant to event contracts. Specifically, in the Product Definitions Adopting Release, the Commissions stated that the SBS Event Contract Prong "applies generally to event-triggered swap contracts,"[11] in contrast to the SBS NBSI Prong and the SBS

[9] Product Definitions Adopting Release at 48266.

[10] *Pulsifer v. United States*, 601 U.S.124, 125 (2024) (quoting *National Assn. of Mfrs. v. Department of Defense*, 583 U.S. 109, 128 (2018)).

[11] *See, e.g.,* Product Definitions Adopting Release at 48267, 48273 ("As noted above, the second prong of the security-based swap definition includes a swap that is based on ''a single security or loan, including any interest

Single Security Prong, which the Commissions referred to narrowly as instruments that directly reference, and provide for payments calculated in accordance with the price or other measure of value of, an underlying narrow-based security index or security, respectively (e.g., total return swaps referencing a single security or loan).[12] Accordingly, an event contract can only fall within the security-based swap definition, if at all, if it satisfies the requisite elements of the SBS Event Contract Prong of the definition.

C. *The SBS Event Contract Prong is narrow, including only issuer-related events that proximately cause a legally binding or accounting-recognizable change to an issuer's financial statements, financial condition, or financial obligations without intervening developments.*

In considering whether an event contract is a security-based swap subject to the SEC's jurisdiction under the SBS Event Contract Prong (i.e., an Event-Based SBS), each of the following three elements of the definition must be met: (i) the contract must be "based … on the occurrence, nonoccurrence, or extent of the occurrence of an event" (i.e., it is an event-based contract); (ii) that event must "relat[e] to a single issuer of a security or the issuers of securities in a narrow-based security index"; *and* (iii) that event must "directly affect the financial statements, financial condition, or financial obligations of" such issuer.[13]

The absence of the word "potential" in the SBS Event Contract Prong, in contrast to its presence in the Event-Based Swap definition, indicates that Congress intended for Event-Based SBS to comprise contracts referencing underlying events that will, with certainty, have a direct effect on an issuer of securities.[14] To satisfy this requirement, some objective criteria are needed. In this regard, a direct effect on an issuer's "financial statements, financial condition, or financial obligations" is reasonably read to mean an event that, either by operation of law or recognized accounting standards (e.g., GAAP, IFRS), triggers a change to an issuer's financial statements, financial obligations (e.g., contractual payment obligations) or financial condition (e.g., solvency).

Thus, the SBS Event Contract Prong is reasonably interpreted to cover a significantly smaller set of contracts as compared to the Event-Based Swap definition. Specifically, a reasonable interpretation is that an event should be deemed to "directly affect the financial statements, financial condition, or financial obligations of" an issuer *only* if the occurrence, nonoccurrence or

---

therein or on the value thereof.'' Thus, a[loan total return swap] based on a single loan, as mentioned above, is a security-based swap."); ("[T]he third prong of the security-based swap definition relates to issuers of securities, while the first prong of such definition relates to securities.").

[12] *Id.*

[13] *Id.*

[14] *See KalshiEX, LLC v. Flaherty*, 172 F. 4th 220, 227 (3d Cir. 2026) (acknowledging the broad statutory definition of swap as a result of the use of the term "potential" with respect to the relevant financial, economic or commercial consequence).

extent of the occurrence of the event itself proximately causes and results in a legally binding or accounting-recognizable change to an issuer's financial statements, financial condition, or financial obligations *without* the need for intervening discretionary actions, market responses or contingent future developments. Such interpretation is consistent with the Commissions' request for "principled, objective criteria" in the Joint Request for Comment.[15]

Such interpretation is supported by the Commissions' guidance on credit default swaps in the Product Definitions Adopting Release.[16] As set forth in that release, examples of contracts that would constitute Event-Based SBS subject to the jurisdiction of the SEC include contracts referencing the bankruptcy of an issuer, a default on one of an issuer's debt securities, or a default on a non-security loan of an issuer. We propose that additional examples could include an issuer's declaration of dividends or share repurchases; the issuance of new shares or debt instruments; and the consummation (as opposed to the announcement) of an initial public offering, merger or acquisition. Each such event would result in a legally binding or accounting-recognizable change to the issuer's financial statements, financial condition, or financial obligations.

In future guidance, the Commissions could include illustrative examples that would (and would not) meet the definition of an Event-Based SBS. To assist the Commissions in developing an analysis for common examples, Appendix A lists examples of contracts and our suggested analysis of whether a contract is an Event-Based Swap or an Event-Based SBS.

II. Regulatory Harmonization and Cooperation to Support Alternative Compliance Mechanisms

We commend the Commissions' efforts to coordinate regulatory approaches as showcased by recent public statements in favor of cooperation and the recently executed memorandum of understanding between the Commissions (**MOU**).[17] Polymarket US supports a framework for CFTC-registered DCMs and DCOs that offer access to both Event-Based Swaps and contracts that are arguably Event-Based SBS to comply with applicable CFTC regulatory requirements in lieu of parallel SEC requirements, through "substituted" or "alternative" compliance.[18] The SEC

[15] Joint Request for Comment at 37875.

[16] Product Definitions Adopting Release at 48267.

[17] *See, e.g.*, SEC Chairman Paul S. Atkins, CFTC Acting Chair Caroline Pham, Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC (Sep. 5, 2025), https://www.sec.gov/newsroom/speeches-statements/joint-statement-atkins-pham-090525 ("We should work together to provide clarity for innovators that want to list event contracts on prediction markets responsibly, including those based on securities. The SEC and CFTC should examine opportunities to collaborate to consider where event contracts may be made available to U.S. market participants regardless of where the jurisdictional lines fall."); Memorandum of Understanding Between the U.S. Securities & Exchange Commission and the U.S. Commodity Futures Trading Commission Regarding Harmonization in Areas of Common Regulatory Interest (Mar. 11, 2026).

[18] *See, e.g.*, MOU art. III, § 3.

should continue to supervise and monitor Event-Based SBS through robust information-sharing between the CFTC and the SEC, without subjecting market participants to dual registration, duplicative reporting and multiple regulatory regimes. The SEC and CFTC have the capability to coordinate surveillance and examination of such DCMs, and potential enforcement where warranted, under the MOU. This is an opportunity to develop an event contracts "super-app,"[19] supported by agency information-sharing, joint market surveillance and coordinated enforcement.

III. Standardization of Reporting, without Compromising Regulatory and Supervisory Objectives

Transaction reporting for event contracts should be fully harmonized between the SEC and CFTC. In the spirit of the 2019 Compliance Statement and broader efforts to consider a "substituted" or "alternative" compliance framework for firms that would otherwise be dually regulated, CFTC-registered DCMs should be permitted to make available for trading Event-Based SBS and fulfill their regulatory reporting obligations with respect to such products by meeting the CFTC's reporting requirements applicable to event contracts under existing no-action relief[20] and any final version of the CFTC's proposed rule largely codifying such relief.[21] The Commissions should rely on information-sharing and shared access to reported data to advance their respective supervisory and regulatory objectives, rather than each agency requiring its own set of data elements.

***

Polymarket US welcomes further dialogue with the Commissions and their respective staffs as these matters are considered. We are grateful for the opportunity to contribute to this important work.

Respectfully submitted,

/s/ Matthew Lischin

Matthew Lischin

General Counsel
Polymarket US

[19] Atkins, *supra* note 4.("In the technology world, a super-app integrates multiple services into a single seamless interface. The user does not toggle between separate systems to complete related tasks. Instead, integration occurs invisibly behind the scenes.")
[20] *See* CFTC Staff Letter No. 26-14 (May 13, 2026).
[21] 91 Fed. Reg. 40102 (July 1, 2026).

Appendix A		
Product	**Classification & Jurisdiction**	**Reasoning**
Earnings. *e.g., will issuer's quarterly earnings beat analyst expectations*	Swap subject to the jurisdiction of the CFTC	Earnings announcements are purely disclosure events. An issuer's earnings announcement reflects and reveals, but does not itself proximately cause and result in a change in, aspects of an issuer's financial statements, financial condition, or financial obligations. Any change to the issuer's stock price following the earnings announcement would be the result of the intervening event of the public market's reaction.
Announcements of major corporate actions. *e.g., will issuer announce acquisition or IPO by Y date.*	Swap subject to the jurisdiction of the CFTC	The announcement of a transaction, IPO or other major corporate action is informational and does not itself proximately cause a legal or accounting-recognizable change to the issuer's financials. In most cases, event contracts on whether major corporate actions (such as shareholder votes, product launches, etc.) occur or do not occur would likewise be swaps subject to CFTC jurisdiction. However, in certain cases, contracts on the completion of a major corporate action may constitute a security-based swap subject to the SEC's jurisdiction. For example, an event contract on whether the *consummation* (i.e., closing) of a major acquisition will take place may be a security-based swap because the underlying event would itself proximately cause an accounting-recognizable change in the assets and liabilities of an issuer. Likewise, a contract on the *completion* of an IPO (i.e., the issuance and sale of securities pursuant to an effective registration statement) likely would constitute a security-based swap subject to SEC jurisdiction because the occurrence of this event would, in itself, proximately cause and immediately result in an accounting-recognizable change to the issuer's capital structure and, accordingly, financial statements.
Bankruptcy. *e.g. will issuer declare bankruptcy by Y date*	Security-based swap subject to the jurisdiction of the SEC	A declaration of bankruptcy immediately and proximately results in changes to the financial obligations of an issuer by, among other things, changing the terms of pre-petition debts by operation of law (i.e., the automatic stay).

Equity price. *e.g., will the price of issuer's stock increase or decrease over a particular time period; will an issuer's stock price be X on Y date*	Swap subject to the jurisdiction of the CFTC	Though these products reference the price of a stock, they are based on the occurrence or nonoccurrence of the event (whether the stock price reaches a specified level on a particular date), rather than on the price of the stock itself, as would be the case for a product such as a total return swap. Moreover, the amount of the payment under the event contract is not based on the security's value or price, or a change thereto, as would be the case with a total return swap. Rather, a party to the event contract receives the full contract notional amount if its position is correct and nothing if its position is incorrect. Accordingly, these products should not be viewed as "based on" the price of a stock within the meaning of the SBS Single Security Prong. And as noted, event contracts meet the security-based swap definition, if at all, under only the SBS Event Contract Prong, not the SBS Single Security Prong or the SBS NBSI Prong. Additionally, these products do not meet prong (iii) of the security-based swap definition because the event underlying these products does not proximately cause a change to the financial statements, condition or obligations of the issuer by operation of law, contract or accounting standards, as the stock price at any given moment reflects the intervening market response of investors to information about the issuer; it is not itself a corporate action or occurrence that directly changes the issuer's financials.
Top Performing Equity. *e.g., will issuer's stock be the top performing equity in an index*	Swap subject to the jurisdiction of the CFTC	Whether an issuer's stock performs better or worse than other securities, benchmarks or analyst estimates does not, in and of itself, proximately cause a change to the financial statements, conditions or obligations of the issuer by operation of law, contract or accounting standards.
Issuer capital distribution actions. *e.g., will issuer declare dividends on Y date; will issuer repurchase shares by Z date*	Security-based swap subject to the jurisdiction of the SEC	Events such as an issuer's declaration of dividends or share buyback create legally binding obligations from the issuer to shareholders (e.g., to distribute dividends; or to pay for repurchased stock) and accounting-recognizable liabilities. Dividend distributions also reduce an issuer's retained earnings.