TILT

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Via Electronic Submission (rule-comments@sec.gov)

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Request for Comment on Novel ETFs (Release Nos. 33-11426; 34-105808; IC-36228; File No. S7-2026-24)

Dear Ms. Countryman:

I. Introduction and Interest of Tilt

Tilt appreciates the opportunity to respond to the Commission's Request for Comment on Novel ETFs.[1] Tilt operates a custom indexing platform whose purpose is to democratize index construction and distribution: it enables market participants, from index publishers to registered investment advisors and individual contributors, to translate research, expertise, and market information into transparent, rules-based investment strategies. Tilt believes strategies of this kind are the future of investing. As AI agents assume a growing role in the investment process, the strategies that prevail will be those that people and machines alike can evaluate, audit, and trust.

Tilt has launched its own equity indices, and its platform distributes rules-based equity strategies developed by independent third-party publishers. Tilt additionally hosts informational indices whose methodologies draw on data from event-contract markets.[2] Tilt is an index publisher and distributor, not a fund sponsor, and has no fund application pending before the Commission.

At the outset, Tilt wishes to voice its general support for ETFs that provide exposure to event contracts through their direct holdings: just as crypto ETFs gave investors access to a new asset class through familiar brokerage rails, without requiring them to master new platforms or bear the operational risks of transacting directly on-chain, well-constructed event-contract ETFs would

[1] Request for Comment on Novel ETFs, Release Nos. 33-11426; 34-105808; IC-36228 (June 30, 2026), 91 Fed. Reg. 40647 (July 2, 2026) (the "Release").

[2] Tilt is operated by Agora Indexing Technologies LLC and Tilt Indices LLC, each a subsidiary of Agora Intelligence Inc. Additional information regarding Tilt's platform, index governance, and general index methodology is available at https://tilt.io/governance.

extend access to prediction markets within a wrapper that carries the Investment Company Act's built-in safeguards.

Tilt writes based on its direct industry experience on a subject that contextualizes and informs the central inquiry here. The Release, understandably, approaches Novel ETFs involving event contracts as a portfolio question: whether and on what conditions ETFs should hold them. But event-contract markets can contribute to the ETF ecosystem in a second, distinct way: as an *information layer*, a source of objective, market-implied probabilities used within the rules-based methodologies that select and weight conventional securities. Tilt submits this letter to describe that contribution, to explain why it represents a responsible existing path for integrating event-market information into registered products, and to urge the Commission to ensure that any action on Novel ETFs turns on what a fund holds,[3] not on the information sources its index methodology consults. In addition, and responsive to the concerns this Release raises, Tilt submits that the experience with event-contract indices at the information layer counsels a specific requirement at the portfolio layer: that ETFs holding event contracts track independently administered, rules-based indices. Tilt's comments respond principally to Questions 5, 6, and 9 of the Release, and to Questions 10, 16, 26, and 27 as noted below.

II. Event-Contract Market Indices as an Information Layer for Conventional ETFs (Questions 5 and 6)

Event-contract markets generate a distinctive form of information: continuous, market-implied probabilities for defined future events such as electoral and legislative outcomes, macroeconomic data releases, policy decisions, and industry developments. Index methodologies have always consumed information of this kind. A rules-based methodology that screens or weights constituents by reference to analyst estimates, economic forecasts, factor scores, or sentiment measures can equally do so by reference to event-market probabilities.

What makes this increasingly practical, and responsible, is the emergence of event-contract indices. Independent index publishers now consolidate raw contract prices from multiple venues into governed, published benchmarks.[4] A benchmark of this kind converts fragmented market prices into a single, transparent, and auditable data input, which an index methodology can then use to select or weight ordinary listed securities. An index might, for example, adjust exposure to policy-sensitive sectors as the market-implied probability of a policy outcome changes. This

[3] Emerging asset classes can raise distinct considerations while trading, custody, and pricing practices mature. Tilt is studying several such asset classes, including digital assets associated with artificial-intelligence compute ("AI tokens") and instruments traded in attention markets ("attention commodities").

[4] *See, e.g.,* Adjacent Markets, Inc.'s RED and BLUE benchmark indices, which aggregate event-contract prices across multiple venues to track market-implied expectations of U.S. political party control and are administered under a published, open-governance methodology; *see also* the Kalshi American Power Index (KPOW), a published, non-tradable political benchmark constructed from event-contract prices using liquidity screens and capped constituent weighting. These examples are cited solely to illustrate that benchmarks of this kind have emerged; Tilt expresses no view on, and does not endorse, any particular index, publisher, or methodology in this submission.

formalizes, in published and independently verifiable form, what research desks at major financial institutions have long done discretionarily in constructing policy-exposure equity baskets calibrated to prediction-market probabilities.[5]

The critical point for the Commission in the context of this Release is what such a fund is: an ordinary index equity ETF. It holds listed equities. Its custody, valuation, arbitrage, and creation and redemption mechanics are conventional. Only the information source consulted by its index methodology is new, and the registered-fund framework already accommodates exactly this pattern: ETFs whose methodologies are built on unconventional data sources such as social-media sentiment or machine-learning models hold conventional portfolios and operate within the standard ETF framework today.[6] No Commission action should therefore be required for event-market data to be used this way.

Tilt raises the subject for two reasons. First, the Release defines Novel ETFs to include funds engaging in *novel investment strategies*, not only funds holding *novel assets*,[7] and the comment record should therefore reflect this second, information-layer mode of integration of event-contract markets and describe why it does not merit Commission action. Second, it supplies important context and direction for the questions the Release does ask about event contracts. The information layer comprising event-contract indices is how event-market data can reach registered products responsibly today. But the governance infrastructure being built at this layer, including transparent methodologies, eligibility screens, data-quality controls, and independent administration, is infrastructure that any eventual direct-exposure products should also require. Investment in it represents innovation that will continue to compound to the benefit of investors as the Commission works through the portfolio-level questions.

III. Index Methodology Safeguards for Event-Market Data Inputs and Their Relevance for Direct-Exposure ETFs (Questions 5, 6, 9, 10, 16, 26, and 27)

Although the information layer requires no Commission action, event-market data should be held to the same benchmark-integrity standards as any other methodology input. Well-constructed

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[5] *See*, *e.g.*, published sell-side research during the 2024 U.S. election cycle constructing party- and policy-exposure equity baskets and quantifying their expected performance expressly by reference to prediction-market-implied probabilities; see, e.g., Trump Win Would Push Republican Stock Basket Up 8%, Goldman Says, Investing.com (Oct. 14, 2024), https://www.investing.com/news/stock-market-news/trump-win-would-push-republican-stock-basket-up-8-goldman-says-3661896 (reporting Goldman Sachs analysis that its basket of Republican-policy outperformers would rise approximately 8% if the Republican candidate's probability of election on the prediction market PredictIt reached 100%); Republican and Democrat Stock Baskets from UBS Heading into the Election, CNBC.com (Oct. 31, 2024), https://www.cnbc.com/2024/10/31/republican-democrat-stock-baskets-from-ubs-heading-into-election.html.

[6] *See, e.g.,* the VanEck Social Sentiment ETF (BUZZ), which tracks an index constructed from social-media sentiment scoring, and the Amplify AI Powered Equity ETF (AIEQ), whose selection model applies machine learning to news, filings, and other text. Each holds a conventional equity portfolio and operates and lists within the standard ETF regulatory framework.

[7] Release, Section I (identifying Novel ETFs as ETFs seeking "to invest in innovative asset classes or engage in novel investment strategies" and noting that the enumerated categories, including event contracts, are those identified "[t]o date").

methodologies address this directly: minimum liquidity, open-interest, and quote-quality screens before an event market, or corresponding index, is eligible to serve as an input; sourcing across multiple venues where available; outlier and stale-price handling; capping and smoothing rules that limit the effect of any single market on index composition; and administration consistent with the IOSCO Principles for Financial Benchmarks, so that the methodology is published, rules-based, and independently verifiable.[8] These are the same disciplines index administrators apply to any input, and they are well within the existing benchmark-governance framework, which is a further reason the information layer requires no new regulatory machinery.

One point within the Commission's broader inquiry deserves note. In response to Questions 26 and 27, Tilt does not suggest that the Commission or any other regulator impose new reporting or data conventions on event-contract venues. Venues differ today in how they define resolution criteria, settlement timing, and source hierarchies for economically similar contracts, in how they report volume, open interest, and market depth, and in their regulatory status. The standardization investors need can be, and increasingly is, supplied at the index layer: methodology publishers normalize heterogeneous venue data into consistent eligibility screens, comparable liquidity measures, and uniform treatment of resolution and settlement terms, yielding benchmarks that are comparable across venues without requiring any change by the venues themselves. Tilt encourages the Commission to recognize methodology-level normalization as the natural home for this function; it benefits investors in any product that relies on event-market data, whether index-based or otherwise.

Tilt also submits that, as AI assumes a growing role in index construction, the relevant operational question is not whether a data source is novel but whether index determinations are reproducible and auditable. Where an index-tracking ETF materially relies on event-contract data or similarly dynamic external signals, the sponsor or index provider could retain a version-specific, tamper-evident record sufficient to reconstruct each material index determination or reconstitution. The record would identify the methodology version, relevant data snapshot or time-bounded input manifest, transformation logic, and resulting output. Demonstrating this level of auditability would further confirm the ordinary rule 485 effectiveness timetable, absent separate concerns.

Most important for this Release, the development of event-contract indices at the information layer speaks directly to how the Commission should approach ETFs seeking direct event-contract exposure. This is because the safeguards described above are disciplines of index administration that map directly onto concerns about event contracts as portfolio holdings, such as thin or fragmented underlying markets, resolution and settlement uncertainty, and the outsized effect of any single contract on a fund. Therefore, a direct-exposure ETF that tracks an independently administered, rules-based index inherits these disciplines by construction: eligibility screens confine the fund to liquid contracts on regulated venues, diversification and capping rules limit the

[8] Board of the International Organization of Securities Commissions (IOSCO), Principles for Financial Benchmarks: Final Report (July 2013).

effect of any single outcome, and a published methodology makes the fund's exposures verifiable in advance. A single-contract or discretionary product carries none of these structural mitigants. Accordingly, if direct-exposure ETFs proceed, the Commission should at a minimum require that they track indices administered under the standards described above. That requirement would carry the information layer's governance infrastructure into the portfolio context and would give the Commission an objective, administrable eligibility criterion in place of product-by-product judgment.

IV. Recommendations (Questions 5, 6, 9, and 27)

Consistent with the above, Tilt's recommendations are two-fold. First, in framing any amendments to rule 6c-11, rule 485, or related guidance concerning Novel ETFs, the Commission should define the affected category by reference to a fund's holdings and structure, meaning the assets it owns and the exposures it takes, and not by reference to the data sources its index methodology consults. A fund holding conventional securities does not become a Novel ETF because its methodology is informed by event-market probabilities, any more than it would by consulting economic forecasts or analyst estimates. Second, the same information-layer experience points to how any direct-exposure ETF holding event contracts should be structured: as a fund tracking an independently administered, rules-based index, which imports by construction the methodology safeguards and governance disciplines described in Section III.

V. Conclusion

Tilt appreciates the Commission's consideration of these comments and its stated commitment to facilitating innovation while protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. Tilt would welcome the opportunity to discuss the information-layer use of event-contract markets with the staff, including the methodology and governance practices described above. Please direct any questions to the undersigned.

Respectfully submitted,

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