July 14, 2026

U.S. Securities and Exchange Commission

Re: File No. S7-2026-24 – Request for Comment on Novel ETFs

Dear Chairman Atkins and Commissioners:

FCLTGlobal respectfully submits this comment in response to the Securities and Exchange Commission's request for comment on exchange-traded funds seeking to invest in innovative asset classes or engage in novel investment strategies.

FCLTGlobal is a nonprofit research organization whose mission is to mobilize companies and investors to focus capital on the long term. Our membership spans asset owners, asset managers, and corporations around the world that support a longer-term framing in corporate and investment decision-making.

FCLTGlobal's research has focused for over a decade on how market infrastructure shapes the time horizon of companies and investors and on practical tools that companies and investors can use to create value over the long term, which ultimately benefits those companies and investors and the communities they serve.

The Request covers a wide range of Novel ETFs, from crypto and leveraged products to private-asset funds. We write specifically about one category within it: exchange-traded funds built around event contracts, such as the prediction-market ETFs that were filed earlier this year and have since been delayed pending this review. We recommend that the Commission not extend the ETF wrapper to funds built around event contracts. These instruments are zero-sum wagers rather than claims on productive enterprise, and packaging them in a registered-fund form aimed at retail investors advances neither capital formation nor the long-term wealth creation that the federal securities laws and the ETF structure intend to further.

1. The US markets have succeeded at their dual role of capital formation and long-term wealth creation for savers over many decades by encouraging investments

Capital markets are a global competitive advantage for the US. Our markets are deep and broad, acting as a respected destination for companies to raise capital and for investors to invest their capital in companies that provide innovative and useful goods and services to their customers.

Over time, as companies are successful, the value of their securities rises. Furthermore, as the market broadly increases in value, investors benefit. Given time, the market is typically in a win-win situation with exposure both increasing long-term wealth for individuals and funding companies' activities.

Event contracts do not share this return profile. A contract that pays out based on which party wins a House seat, whether a jobs report comes in above or below consensus, or the outcome of a sporting event, has an expected value that is effectively zero at the moment an investor enters into it: what one side wins, the other side loses, with no underlying productive asset generating the payout. This stands in contrast to equity or debt, where the aggregate return to capital providers as a class is positive over time because it is tied to the output of a real enterprise.

Of course, event contract trading is a legitimate activity under CFTC oversight and can be useful to investors as a hedge or a speculative tool. It is common to hedge financial and commodity risks with event contracts to create an overall portfolio that can be positioned for the long term and weather market volatility along the way. However, event contracts are not "investments" in the classic sense of providing capital for productive uses, even if they are a tool often used in conjunction with investments.

2. ETF structures have been built for the same goals of capital formation for companies and long-term wealth creation for savers, but event contract ETFs are fundamentally different.

Public equity and debt markets channel savings into productive enterprise in exchange for a claim on future cash flows and a corresponding risk premium. That function — capital formation — is the reason the federal securities laws and the exemptive relief that gave rise to the modern ETF extend a lighter regulatory touch to registered funds than to other pooled investment vehicles. The ETF wrapper was built and has succeeded as a vehicle for giving investors efficient, liquid access to durable claims on productive assets such as equity indices, bonds, or commodities.

Event contracts are the structural opposite of these durable claims. They are short-duration and binary, resolving on a fixed and typically near-term date, at which point the specific exposure ceases to exist and must be rolled into a new contract to persist.

Wrapping this short-term kind of instrument in a daily-NAV, intraday-tradable, retail-distributed ETF form does not make the underlying exposure any more durable. A structure optimized for continuous secondary trading of an inherently short-lived exposure is, by design, oriented toward the shortest possible holding period and the highest possible turnover — the opposite of the patient, long-duration capital allocation the public markets framework has otherwise aimed to encourage.

3. Despite the ETF wrapper, event contracts are wagers, not investments, and their economic substance should determine how these funds are regulated

Putting an ETF wrapper on event contracts simply adds a liquid secondary market and a familiar brokerage-account distribution channel on top of what remains a rapidly resolving wager.

Retail investors accustomed to the ETF format as a marker of investments may not recognize that they are holding a zero-sum wager rather than a claim on productive activity. Capital drawn into these structures does not compound over time or fund enterprise; it circulates among a group of bettors, unavailable for the capital formation these markets exist to support.

We would encourage the Commission, in evaluating whether these funds are investment companies or even investments, to look at what the fund actually holds and how its returns are generated, rather than focusing on a sponsor's choice of an investment company or other product structure.

Ultimately, we would encourage the Commission to disallow the ETF wrapper as a vehicle for this asset class, regardless of narrow legal questions about structure.

Conclusion

We appreciate the Commission's decision to seek public input before event-contract ETFs reach the market at scale. As proponents of capital markets that generate long-term value creation, we would encourage you not to extend the ETF's regulatory and distribution advantages to event contract instruments that neither provide capital for companies nor reward long-term investors. We would encourage the Commission to anchor its analysis in what these funds actually are — a zero-expected-return wager — rather than in the wrapper a sponsor chooses for them.

We welcome the opportunity to discuss these issues further and are glad to make our research available to Commission staff.

Sarah Keohane Williamson

Chief Executive Officer

FCLTGlobal