

United States Senate

WASHINGTON, DC 20510

June 1, 2026

The Honorable Michael Selig, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. NW
Washington, DC 20581

**Re: CFTC ANPRM Regarding Event Contract Derivatives Traded on Prediction Markets
(RIN 3038–AF65)**

Dear Chairman Selig,

We write to provide comments on the Commodity Futures Trading Commission’s proposed rulemaking regarding prediction markets.

The volume of event contracts trading on prediction markets has grown exponentially over the past 18 months, and the number of Designated Contract Markets (DCMs) and Derivatives Clearing Organizations (DCOs) participating in these markets has also increased. These markets have a significantly higher proportion of retail participants than traditional derivatives markets, heightening customer protection concerns. At the same time, increasing reports of potential misconduct—including insider trading and market manipulation—have drawn increasing scrutiny from the broader public and from Congress. It is critical that the Commission provide additional guidance and regulation to address these concerns.

Given the dynamic and growing nature of the prediction markets, it is crucial that the Commission provide clear guidance to DCMs, DCOs, and other market participants to prevent the listing of event contracts susceptible to manipulation or abuse and to focus the industry’s efforts on listing contracts with clear economic use cases, rather than purely speculative offerings with limited hedging value. In addition, the Commission must prioritize its examination and review of DCMs and DCOs to ensure that they have appropriate policies, procedures, and resources to comply with this guidance—and in fact are doing so. Finally, the Commission should work to require DCMs and DCOs to ensure that the terms and conditions of event contracts are clear and designed to minimize potential areas for dispute as to resolution and payout.

Listing of Only Appropriate Event Contracts

The explosion in the number and diversity of contracts offered for trading creates challenges for oversight by both the Commission and the various self-regulatory organizations it relies on to oversee the derivatives markets, including both the National Futures Association and the various DCMs and DCOs. Many event contracts offered on Commission-regulated exchanges appear to violate core principles because they are structurally vulnerable to manipulation where outcomes may be influenced or controlled by a limited group of individuals.

Other contracts relate to events the outcome of which is already known to one or more persons (or will be known prior to expiration), making them particularly vulnerable to insider trading (for example, mention markets, where traders can bet on whether certain words will be used during a speech or event).¹ The Commission should provide staff with the ability to identify and restrict categories of contracts that present similar risks.

The Commission also should encourage DCMs and DCOs to limit the number of contracts being self-certified for trading or clearing to those with clear economic use cases for hedging legitimate risks related to economically valuable activities.

Adequate Examination and Enforcement

The CEA's principles-based regulatory framework relies on self-regulatory organizations to have and enforce their own rulebooks that implement the various core principles. We are concerned that, in the rush to expand prediction markets, DCMs and DCOs may not have adequately invested in compliance, surveillance, and enforcement functions. Recent steps by some platforms to enhance surveillance and address insider trading underscore how underdeveloped these functions were during a period of rapid growth.²

It is imperative that the Commission examine DCMs and DCOs involved in prediction markets for compliance with the applicable core principles and ensure that they are meeting their obligations in practice. This requires both appropriate written policies and procedures, as well as sufficient resources, staffing, and prioritization by management.

Self-regulatory oversight should be complemented by active enforcement by the Commission. In particular, the Commission should prioritize targeted enforcement related to potential insider trading and market manipulation, including cases involving government employees and others in positions of trust with access to nonpublic information. Enforcement should also focus on novel cases that can help define clear boundaries for acceptable conduct.

Well-Designed Contracts

Well-designed contracts with clear terms and conditions can help minimize customer confusion and harm. Given the novel nature of many event contracts, additional vetting is needed, particularly regarding resolution and payout processes. While so-called "death contracts" like those relating to Ayatollah Khamenei raise a host of concerns, they also demonstrate the importance of clarifying a contract's terms up front so as to avoid disputes at resolution.³ Sufficient

¹ One broker, Robinhood, has proactively refused to offer mention markets due to their high risk of manipulation. *Robinhood excludes some prediction markets over manipulation fears*, Ramsay Hodgson & Stephanie Stacey, Fin. Times, Apr. 12, 2026, <https://www.ft.com/content/84ddcfaf-f16a-481e-9986-c3e8af5653ac?syn-25a6b1a6=1>.

² See, e.g., *Kalshi announces independent surveillance audit committee, partnerships with director of Wharton Forensic Analytics Lab and Solidus Labs, and new head of enforcement*, Kalshi, Feb. 5, 2026, <https://news.kalshi.com/p/kalshi-surveillance-insider-trading-prevention>; *Two Insider Cases We've Recently Closed*, Bobby DeNault, Kalshi, Feb. 25, 2026, <https://news.kalshi.com/p/kalshi-trading-violation-enforcement-cases>.

³ See, e.g., Rule 6.3 Amendment, Kalshi, Mar. 2, 2026, <https://kalshi-public-docs.s3.amazonaws.com/regulatory/notices/rules03022640155.pdf> (clarifying the resolution of contracts where the natural person subject dies).

resources should be devoted to anticipating and addressing such issues prior to contract listing, rather than after problems arise. The Commission should provide guidance to DCMs and DCOs to assist them in developing these processes.

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We urge you to consider these concerns as you develop rules and guidance for the prediction market industry. In particular, we encourage you to work proactively to prevent issues before they arise through enhanced listing standards, targeted compliance efforts, and rigorous contract design, backstopped by more robust surveillance and enforcement efforts. Thank you for your attention to this important issue.

Sincerely,



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Ranking Member, Committee
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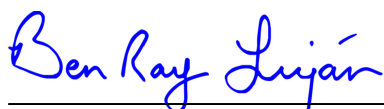
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