April 30, 2026

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: Prediction Markets, RIN 3038-AF65

Dear Mr. Kirkpatrick:

We are writing in response to the advanced notice of proposed rulemaking ("ANPR") that the Commodity Futures Trading Commission ("CFTC") issued regarding event contracts on prediction markets. We, the undersigned organizations, believe that the CFTC should invoke its authority under Section 5c(c)(5)(c) of the Commodity Exchange Act and prohibit event contracts that involve elections or geopolitical events. Event contracts on such political events incentivize election interference or are subject to influencing governmental actions and have the potential to undermine the integrity of democracy.

As you know, the CFTC has an incredibly important mission: regulating the $500 trillion derivatives markets. These markets are vital to all Americans and the CFTC's oversight is essential to preventing the next financial crisis. Properly regulating and policing these markets ensures that commodities in the right amounts at the right times and prices reasonably reflective of supply and demand are available to the American people. Likewise, the CFTC's vigilance is necessary to help prevent excessive risk or misconduct from bringing down the American economy. Neither of these functions have anything to do with wagering on elections or geopolitical events.

The CFTC has no experience or expertise in monitoring gambling on elections. Its own rules even prohibit event contracts that involve gaming or activity that is unlawful under state law, and there are many states that prohibit betting on elections. Given the importance of the mission of the CFTC to the daily lives of all Americans, the agency should not attempt to regulate in an area beyond its mandate, which will impair its ability to fulfill its critical role.

Furthermore, by allowing gambling on geopolitical events, prediction markets nurture the opportunity for insider trading by those in government that have inside information. It can also influence government actions for self-enriching purposes by those in positions of authority.

The CFTC should be responsible for regulating legitimate event contracts, which are derivatives contracts with real economic value in connection with commodities or financial assets. CFTC-regulated event contracts are intended as hedging tools to minimize bona fide financial risk, such as the risk that future events might impact the supply and therefore the price of commodities like wheat, corn, oil, gas, or pork that are produced today for future delivery. An event contract on an election or geopolitical event is not a legitimate hedging tool for anything.

Prediction market platforms should not be able to call their offerings "event contracts" to circumvent laws that prohibit betting on elections or prevent corruption in government. This is nothing more than regulatory arbitrage—an attempt to use semantics to obtain more favorable regulatory treatment. They are trying to elevate the form of their offerings (event contracts) over the substance of their offerings (gambling) to avoid laws and regulations that have long prohibited betting on elections and are intended to prevent government corruption.

Indeed, to say the states have long prohibited betting on elections is an understatement. In 1799, Jeremiah Chase wrote for the General Court of Maryland that an election wager "would be 'against sound policy, and ought not to be sanctioned by a court of justice.'"[1] Numerous other state court decisions over the course of the ensuing 225 years reach the same result.[2] The CFTC has itself recognized that many states ban election betting through these common law decisions.[3] The CFTC has also recognized that 22 states have statutes that ban election betting.[4] And governments at all levels have long prohibited insider trading in the marketplace. By allowing bets on political outcomes run by government officials, the current predictive market industry encourages insider trading by those same officials.

There are good reasons for these laws. The prospect of betting on elections and political outcomes raises serious issues — namely, the potential for election interference and government manipulation.

- The ability to profit on electoral outcomes encourages election interference. AI, deepfakes, and other nefarious activities to attack candidates can easily impact betting activity and odds, as well as the outcome of elections. Users could profit from betting on elections about which they themselves spread misinformation, and in fact, be incentivized to interfere.

- Political prediction markets are also susceptible to manipulation. In races without much betting activity small bets will move the odds significantly. Users could place bets to give the false impression that a candidate has increasing support.

- Political prediction markets are particularly susceptible to one form of market manipulation: insider trading. Anyone with knowledge of important events before they become public (such as, a big endorsement, a major campaign contribution, an act of war, etc.,) could place bets shortly before public disclosure. This would allow them to profit from their inside information. And because on prediction markets there is always

1 Jeffrey Steven Gordon, Silence for Sale, 71 ALA. L. REV. 1109, 1160–61 (2020) (quoting Wroth v. Johnson, 4 H. & McH. 284, 286 (Md. Gen. Ct. 1799)).

2 *See* Brief Amicus Curiae, By Consent, of Better Markets, Inc., in Support of Appellant and Reversal, KalshiEX LLC v. CFTC, No. 24-5205 (D.C. Cir.), at 14-16, https://bettermarkets.org/wp-content/uploads/2024/10/Kalshiex-LLC-v.-CFTC-Better-Markets-amicus-brief-as-filed-on-10-23-24.pdf.

3 *In the Matter of the Certification by KalshiEX LLC of Derivatives Contracts with Respect to Political Control of the United States Senate and United States House of Representatives*, Order at 12 n.27 (Sept. 22, 2023), https://www.cftc.gov/sites/default/files/filings/documents/2023/orgkexkalshiordersig230922.pdf.

4 *Id.* at 11 n.26.

someone on the other side of the bet, their profits would come at the expense of others' losses.

Although prediction market platforms claim that their internal controls prevent the misuse of insider information in betting on elections or geopolitical events, their track record and profit motive should give policymakers pause before relying on such controls as a reason to permit such gambling. After all, most public companies have policies that prohibit the misuse of inside information, yet their employees still engage in insider trading. Our government is simply too sacred to risk the misuse of inside information and the potential for market manipulation just to facilitate gambling.

Real world evidence bears out the potential for election interference and government manipulation through event contracts. Two months before the recent election for New York's mayoralty, Bill Ackman posted on X that Eric Adams should drop out of the race, which he thought would improve Andrew Cuomo's chances. Ackman then noted that there was a financial incentive for Adams to drop out, saying that he could "place a large bet on Andrew Cuomo and then announce your withdrawal from the race," which would help "fund your future."[5]

The media has also reported about a candidate for governor of California betting on his own election. As Politico noted, the concern is that a candidate betting on his own election "could manipulate the outcome by, for example, dropping out." The fact that gubernatorial candidates are using prediction markets to bet on their elections shows the concerns are not theoretical. And although Kalshi subsequently banned this individual from its platform, that does not make the concerns any less valid. Kalshi identified the insider betting because the candidate posted about betting on his own candidacy on social media. The real threat is from insiders who want to use prediction market platforms to bet on their own elections, and possibly manipulate the outcome so they may profit, but who choose not to boast about their activity on social media.

Recent high-stakes gambling through prediction markets on the timing and nature of U.S. invasions of Venezuela and Iran strongly suggests that a few persons "in the know" of the pending yet classified government actions cashed in on that insider knowledge. In one case, large bets were placed on the future price of oil just 15 minutes before President Trump publicly announced he was not going to carry through on his threat to bomb Iran's oil fields.[6]

Nor is the CFTC equipped to handle these concerns. Its own enforcement director recently admitted that the CFTC only brings insider trading cases when inside information has been misappropriated. He said that, from the CFTC's perspective, "you are absolutely entitled to trade on MNPI [material nonpublic information] that you rightfully own" because "you are not breaching a duty to the source of the information."[7] Although this rule may (or may not) make

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5 https://x.com/BillAckman/status/1964368044588724465.

6 Amanda Cooper, "Traders Placed $760 Million Bets on Falling Oil Prices Ahead of Hormuz Announcement," Reuters (April 17, 2026) at: https://www.reuters.com/sustainability/boards-policy-regulation/traders-place-760-million-bet-falling-oil-ahead-hormuz-announcement-2026-04-17/.

7 Director of Enforcement David I. Miller, *Remarks at NYU Law School—CFTC Enforcement Priorities, Insider Trading in Prediction Markets, and Cooperation with the CFTC* (Mar. 31, 2026), https://www.cftc.gov/PressRoom/SpeechesTestimony/opamiller1.

sense in the context of the traditional commodities and derivatives markets, it would seem ill-suited to address the issue of insiders betting on elections or geopolitical events. That's because regulating commodities and derivatives markets and regulating betting on elections and geopolitical events are entirely different.

Former CFTC Chair Rostin Benham has explained why the CFTC should not be in the business of overseeing such gambling. In refusing to allow event contracts on elections, for example, he said that the approval of such contracts would require the CFTC "to exercise its oversight and enforcement authorities in the manner of an election cop" and monitor "elections, candidates, and countless participants in the political machinations that proliferate in the media and cyberspace in an effort to prevent manipulation and false reporting within the political system," which the CFTC is ill-equipped to do.[8]

These reasons for prohibiting event contracts on elections and geopolitical events remain just as valid today.

Sincerely,

The Academy of Financial Education
Americans for Financial Reform Education Fund
Better Markets
Catholics Vote Common Good
Citizens for Responsibility and Ethics in Washington (CREW)
Demand Progress Education Fund
Indivisible Marin
Michiganders for Fair and Transparent Elections
People Power United
Public Citizen
Revolving Door Project
School Sisters of Notre Dame Collective Investment Fund
Secure Elections Network

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8 Chairman Rostin Benham, *Statement of Chairman Rostin Benham Regarding CFTC Order to Prohibit Kalshi Political Control Derivatives Contracts* (Sept. 22, 2023), https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement092223.