To:
Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
1155 21st St NW
Washington, DC 20581

April 30, 2026

Advance Notice of Proposed Rulemaking - Prediction Markets (RIN 3038-AF65)

Coinbase Global, Inc. (together with its subsidiaries, **Coinbase**) appreciates the opportunity to respond to the advance notice of proposed rulemaking (**ANPR**) published by the Commodity Futures Trading Commission (**CFTC** or the **Commission**)[1] regarding event contract derivatives traded on prediction markets.

Prediction markets have fast become one of the most dynamic areas of derivatives markets. Their rapid growth reflects genuine demand from market participants for instruments that aggregate information, enable hedging on economically consequential events, and democratize access to predictive data. To ensure that responsible innovation remains a hallmark of U.S. derivatives markets, it is essential the CFTC maintain its principles-based regulatory framework while protecting market integrity by aggressively pursuing insider trading.

In this letter we highlight how the Commission must also: (1) clarify how it will apply its authority to prohibit contracts that are contrary to the public interest in a manner consistent with the Commodity Exchange Act (**CEA**); (2) ensure that customers always have the same protections — whether trading directly on a DCM or via an intermediary; and (3) modernize its guidance on how Designated Contract Markets (**DCMs**) determine that a contract is not readily susceptible to manipulation.

Coinbase appreciates the opportunity to submit feedback on the Commission's consideration of prediction markets. We look forward to working with the Commission on these issues.

Yours sincerely,

Faryar Shirzad
Chief Policy Officer
Coinbase

[1] Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026).

Introduction

Prediction markets are derivatives markets. Derivatives markets are regulated exclusively by the federal government, and primarily by the CFTC. This simple yet important observation should inform all aspects of how prediction markets are regulated.

Coinbase operates Coinbase Derivatives, LLC (**CDE**), a CFTC-registered DCM and Coinbase Financial Markets, Inc. (**CFM**), a futures commission merchant (**FCM**) registered with the National Futures Association (**NFA**). Our comments to the ANPR are based on our experience operating in the regulated derivatives markets, including prediction markets. Coinbase appreciates the Commission's engagement on these important issues and the opportunity to provide the following comments.

Our response is organized around four points that we believe should anchor prediction markets regulation:

Event contracts are swaps that fall under the CFTC's jurisdiction

Event contracts are "swaps" that Congress has placed squarely within the CFTC's authority by deliberately legislating a broad definition of the term and accompanying regulatory requirements.[2] Because of this, event contracts offered to retail investors must be listed and traded on federally regulated DCMs and are subject to the CFTC's oversight and safeguards, including against manipulation and abuse. It is the CFTC — not any state or other authority — which regulates prediction markets, and the CFTC cannot effectively uphold market integrity or consumer protection standards consistent with the CEA's framework alongside a patchwork of state-by-state regulation.

The CFTC is well-equipped to regulate prediction markets

The CFTC's mission is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets so that they are fair, transparent, and free from fraud or manipulation. As demonstrated through the implementation of Dodd-Frank and the advances in digital asset markets, the CFTC's principles-based framework has proven adept at regulating a wide range of markets and products, whether new or established and evolving. Covering everything from market surveillance to customer protection, the CEA and CFTC Regulations provide a path to addressing even seemingly novel regulatory concerns. DCMs are subject to obligations governing contract design, financial integrity, dispute resolution, governance, and operational risk. Compliance with these obligations is

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[2] We also believe that event contracts can qualify as futures; however, whether swap or future, event contracts are CFTC-regulated products that are subject to the regime we describe in this comment letter.

monitored by the Commission through regular reviews, and the Commission's oversight also ensures that clearinghouses and intermediaries meet the standards necessary to protect market participants. Prediction markets are no exception. In fact, the Commission has overseen prediction markets for decades,[3] and is well-equipped to continue its oversight of event contracts as they grow as an asset class.

The CFTC must therefore resist the temptation to adopt prescriptive, prediction market-specific rules in the vast majority of cases where the Commission's existing framework already provides the protections that market participants and the public need; doing so would risk stifling innovation and slowing market development. In the rare circumstances where tailoring is warranted — such as the CFTC's guidance on how DCMs can demonstrate that a contract is not readily susceptible to manipulation, or the rules governing market-participant-facing communications for intermediaries and trading platforms — the Commission should pursue modernization where appropriate, consistent with the Chairman's focus on "future-proofing" derivatives markets oversight.[4]

The CFTC has a long history of exercising its authority to punish and deter misconduct in derivatives markets

Misconduct, in prediction markets or in other markets, is not beyond the reach of the CFTC's robust toolkit. The CEA and CFTC Rule 180.1 prohibit fraud and manipulation in connection with the trading of event contracts. Core Principle 3 provides another safeguard, prohibiting contracts that are readily susceptible to manipulation that insiders could influence toward a desired outcome from being listed in the first place. Additionally, the CEA specifically bars federal government employees from trading event contracts using nonpublic information acquired through their positions.

The Commission requires DCMs, as self-regulatory organizations, to surveil their markets for activity that violates these principles, investigate misconduct, and discipline participants who violate exchange rules. And the Commission can take direct action itself when warranted. The CFTC's recent announcement of insider trading charges in connection with Nicolás Maduro-related event contracts demonstrates the stiff penalties that the CFTC can and should pursue to punish and deter misconduct in prediction

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[3] CFTC, *Understanding Prediction Markets and Event Contracts*, *available at* https://www.cftc.gov/LearnandProtect/PredictionMarkets. The CFTC granted the Iowa Electronic Market no-action relief to host political event contracts in 1992. In 2004, the CFTC granted the first approval permitting a DCM to list binary options to North American Derivatives Exchange, Inc.
[4] Michael S. Selig, Remarks at FIA Global Cleared Markets Conference (March 9, 2026), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/opaselig2.

markets.[5] Public confidence in prediction markets is contingent on the knowledge that market misconduct will not be tolerated, and Coinbase strongly supports the Commission's continued efforts to investigate and prosecute insider trading and other abusive market practices.

Prediction markets are a public good with broad benefits

The benefits of prediction markets can be substantial, and are often difficult or impossible to replicate through other products or financial markets. Prediction markets help people make sense of the world, especially in domains where traditional forecasting methods are expensive, unavailable, or subject to bias; they produce remarkably precise forecasts, leading to enhanced decisionmaking, and they offer new hedging options, improving risk management capabilities. Prediction markets are powerful economic tools whose benefits to market participants and the broader public are already evident.

We believe the Commission must account for this economic and public utility in any public interest analysis, including the public interest determination the Commission may use to prohibit listing of certain event contracts. Although it is appropriate and contemplated by statute that the CFTC may set limits in this regard, the Commission should approach its authority to ban certain contracts as contrary to the public interest incrementally and with care. For example, contracts that directly incentivize or settle on death, physical injury, or acts of violence against individually identifiable persons are among those for which such action may be warranted. While we support the CFTC making such determinations, they must be made consistently and occur within the CEA's statutory limits, following the required two-step process.

With these four points in mind, we offer three specific recommendations for the Commission.

Recommendation 1: Existing CFTC Rule 40.11, which implements the CFTC's authority under Section 5c(c)(5)(C) of the CEA (the **Special Rule**) to determine that certain contracts are contrary to the public interest, is poorly drafted and has been interpreted by some as a blanket prohibition of certain event contracts. Because this interpretation is contrary to what the law requires and has led to confusion in the market, Rule 40.11 should be amended. A new Rule 40.11 should reflect a two-step process, where the Commission must first determine whether a given contract involves one of the specific categories identified by Congress and then perform a separate analysis that asks whether that specific contract is against the public interest.

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[5] *CFTC Charges U.S. Service Member with Insider Trading in Nicolás Maduro-Related Event Contracts*, Release No. 9217-26 (April 23, 2026), *available at* https://www.cftc.gov/PressRoom/PressReleases/9217-26.

Recommendation 2: The Commission should undertake a comprehensive review of intermediary and trading platform rules governing market-participant-facing communications, such as marketing materials, and should make changes to ensure that customers that trade via FCM and those that directly access DCMs have the same regulatory protections. We support innovative trading and clearing models, but ensuring customer protection should always be paramount.

Recommendation 3: The CFTC's guidance on how DCMs can demonstrate that a contract is not readily susceptible to manipulation has not been updated since 2012 and is due for modernization. We believe such an exercise would be consistent with the Chairman's focus on "future-proofing" derivatives markets oversight.[6] We recommend that the Commission revisit this guidance not solely to address trading on prediction markets, but also to respond to the myriad ways in which trading on CFTC-regulated exchanges has evolved due to advancements in technology and innovative products. It is critical that the CFTC's guidance on this requirement remains up-to-date and reflects modern trading practices, contracts, and technology.

In implementing these recommendations, the Commission should maintain its long-standing approach of principles-based regulation, overseeing "a system of effective self-regulation of trading facilities, clearing systems, market participants and market professionals."[7]

Event contracts fall within the CEA's definition of "swap" and should be regulated exclusively by the CFTC

Event contracts that trade on prediction markets are swaps and fall squarely within the CFTC's exclusive jurisdiction under the CEA.[8] Event contracts enable parties to trade on their predictions about whether a future event — which may relate to economics, or elections, or climate, or sports, or anything else of potential commercial consequence — will occur. Congress expansively defined the term "swap" to include, among other things, any "agreement, contract, or transaction" that "provides for any purchase, sale, payment, or delivery ... dependent on the occurrence, nonoccurrence, or the extent of the

[6] Remarks at FIA Global Cleared Markets Conference, *supra* note 4.

[7] 7 U.S.C. § 5(b).

[8] The ANPRM correctly observes that contracts traded on prediction markets may also be contracts for the future delivery of a commodity. Whether a swap or a future, the contract remains a derivatives contract for trading on a DCM under the CEA and subject to the exclusive jurisdiction of the CFTC. *See* Prediction Markets, *supra* note 1, at 12517.

occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence."[9]

Because these event contracts are paradigmatic "swaps" as defined by the CEA, they can only be traded on CFTC-regulated exchanges. The CEA grants the CFTC "exclusive jurisdiction" over commodity derivatives — including event contracts — that are traded on federally registered derivatives exchanges.[10]

One of Congress's principal goals in enacting the CEA was to create a uniform approach to regulating derivatives, thereby preventing the "total chaos" that would ensue if "different State laws" could be applied to the futures market.[11] In granting the CFTC "exclusive" jurisdiction over swaps traded on a DCM through the Dodd-Frank Act of 2010, Congress further codified this objective into law by drawing these financial products into the CEA's comprehensive regulatory framework. Permitting states to separately decide whether and how to regulate activity involving event contracts traded on a DCM would frustrate Congress's goal of creating uniformity in the futures market and necessarily create state-by-state "chaos."[12]

The Commission's efforts to defend the CFTC's exclusive jurisdiction are consistent with the intent of Congress. These important markets "help market participants hedge risk, aggregate information and test hypotheses about future outcomes."[13] We agree that "[a]ny erosion of the CFTC's ability to regulate transactions in commodity derivatives is a direct threat to the markets and investors Congress intended the agency to oversee."[14]

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[9] 7 U.S.C. § 1a(47)(A)(ii).

[10] *See* 7 U.S.C. § 2(a)(1)(A). That certain event contracts may share economics or other similarities with products supervised by non-CFTC regulators is ultimately irrelevant to their classification. Regulatory classification turns on legal structure and how a product is offered, not on whether its economic exposure overlaps with products subject to different regimes. For example, event contracts and insurance contracts may both provide financial protection against the occurrence of specified events, but they are structurally and legally distinct. Insurance contracts involve a policyholder, an insurer with an obligation to indemnify, and typically a requirement of insurable interest. Event contracts, by contrast, are derivative instruments traded between market participants on a regulated exchange, without any requirement that the buyer have a pre-existing exposure to the underlying event.

[11] Commodity Futures Trading Commission Act: Hearings Before the S. Comm. on Agriculture & Forestry on S. 2485, S. 2578, S. 2837, and H.R. 13113, 93d Cong. 685 (1974) (statement of Sen. Clark).

[12] *Id*.

[13] Michael S. Selig, *States Encroach on Prediction Markets*, The Wall Street Journal (Feb. 16, 2026), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/seligstatement021726.

[14] *Id.*

Prediction markets provide meaningful economic and social benefits

Prediction markets consistently generate probability estimates that outperform expert panels, polls, and statistical models.[15] In just one example, a recent Federal Reserve Board staff working paper found that prediction markets matched or exceeded the forecasting accuracy of established benchmarks — including the New York Fed's own survey of market expectations — with respect to key macroeconomic variables, while also providing novel distributional insights.[16] The mechanism behind this accuracy is straightforward: participants in prediction markets have a direct financial incentive to reveal their true beliefs about the likelihood of future events.

Because the probabilities on prediction markets are public, these markets are a democratizing force. High quality assessments on the likelihood of future events need not be available only to large institutions with the resources to commission proprietary research or retain expert consultants; through prediction markets, they are available to any member of the public. When information is widely and freely available, it is harder for any single actor to maintain an advantage. Decisions across the economy are made on a more informed basis, new firms can more readily challenge incumbents, and the public ultimately benefits from improved competition.

Prediction markets also enable hedging, particularly for niche issues or retail traders, where no effective alternative exists. Many economically consequential events, like regulatory changes, geopolitical developments, or election outcomes, have no corresponding hedging instrument in conventional markets. Prediction markets fill this gap by providing exchange-traded contracts that allow businesses and individuals to transfer and manage risk that might otherwise be unmanageable. For example, these markets can be used to hedge against event-based risk such as unemployment figures, growth in payrolls, or the occurrence of weather events.[17] As demand increases for simple, accessible methods to hedge risk, these markets will continue to expand in reach and importance.

Under the CFTC's oversight, prediction markets also provide a transparent and regulated venue for market participants to express their views on the probability of all sorts of events. Instead of betting against the house, market participants are able to trade on

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[15] Kenneth J. Arrow et al., *The Promise of Prediction Markets*, 320 Science 877-878 (May 16, 2008), *available at* https://mason.gmu.edu/~rhanson/PromisePredMkt.pdf; Justin Wolfers and Eric Zitzewitz, *Prediction Markets* 18(2) Journal of Economic Perspectives 107-126 (May 2004), *available at* https://pubs.aeaweb.org/doi/pdfplus/10.1257/0895330041371321.
[16] Anthony M. Diercks, Jared Dean Katz, and Jonathan H. Wright, *Kalshi and the Rise of Macro Markets*, Finance and Economics Discussion Series 2026-010 (Washington: Board of Governors of the Federal Reserve System, 2026), *available at* https://doi.org/10.17016/FEDS.2026.010.
[17] Joyce E. Berg, Forrest D. Nelson, and Thomas A. Rietz, *Prediction Market Accuracy in the Long Run*, 24(2) International Journal of Forecasting 285-300 (2008).

markets that are surveilled for abuse and manipulation where prices form openly on order books, and where their assets are stringently protected by federal laws requiring asset segregation. As we set out in more detail below, the CFTC's framework is well-suited to regulate these markets and provide customer protections.

The Commission must approach public interest determinations with care, consistent with its obligations under the CEA

The CFTC is a markets regulator with deep expertise in risk management. It is not a merit regulator. It should therefore approach its authority under the Special Rule to prohibit the listing of event contracts with care, consistent with the Chairman's view that markets require the "minimum effective dose" of regulation, emphasizing areas where it has deep expertise. It is also critical that the CFTC consider the various positive benefits of prediction markets in its calculus.

CEA Section 3(a) is instructive and establishes that the transactions subject to the Act "are affected with a national public interest by providing a means for managing and assuming price risks, discovering prices, or disseminating pricing information through trading in liquid, fair and financially secure trading facilities." Section 3(b) further provides that the purposes of the CEA include deterring and preventing price manipulation, ensuring financial integrity, protecting market participants from fraud and abusive practices, and promoting responsible innovation and fair competition among DCMs and market participants.

These provisions do not merely describe the backdrop against which the Commission acts — they are affirmative statutory obligations. Any public interest determination under the Special Rule that considers only potential harms without also giving due regard to the positive impacts that prediction markets may have is both incomplete as a matter of law and unsound as a matter of policy. Each individual event contract must be assessed against the public interest using the two-step process required by the Special Rule. As we have previously highlighted, prediction markets have significant economic and social benefits. Under the CFTC's oversight, these markets are already changing how individuals and companies understand and access information.

We recognize that certain contracts are qualitatively different from other contracts. Event contracts that directly incentivize or settle on death, physical injury, or acts of violence against individually identifiable persons allow traders to profit directly from physical harm to others and are likely against the public interest. The Commission should provide clarity to market participants and the public that these contracts raise heightened concerns and that it will closely scrutinize event contracts with these features. By drawing clear but narrow lines, the Commission can supplement its principles-based framework and ensure the continued effectiveness of federal regulation of prediction markets both in the short-term and for decades to come.

The CFTC should withdraw and re-propose Rule 40.11 to more accurately reflect the language in the Commodity Exchange Act

Through the addition of the Special Rule to the CEA, Congress entrusted the CFTC with the discretionary authority to address event contracts. The statutory provision provides that "the Commission may determine that such agreements, contracts, or transactions are contrary to the public interest if the agreements, contracts, or transactions involve (I) activity that is unlawful under any Federal or State law; (II) terrorism; (III) assassination; (IV) war; (V) gaming; or (VI) other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest." When Rule 40.11 was codified by the CFTC in 2012, it was done in a flawed manner that confuses the actual authority granted to the CFTC by Congress in the CEA.

First, the CEA requires a two step process: the Commission must first determine that a contract falls within one of the enumerated categories and then it must separately determine that the contract is contrary to the public interest. The current approach in CFTC Rule 40.11 invites confusion because it has been read by some as a blanket prohibition, which would be inconsistent with the CEA. As we noted in our 2024 comment to the Commission arguing against this very misinterpretation, a blanket restriction denying DCMs the ability to list contracts that reference enumerated activities — regardless of whether they are in the public interest — is inconsistent with the statutory text.[18] A replacement rule should fix this ambiguity.

Second, the CEA says that the CFTC "may determine." It does not say "shall determine" or "must determine." The language grants the authority, and defers to the CFTC to exercise the authority. It does not bind contracts involving the five categories as per se prohibited. Again, Rule 40.11's current language has caused confusion by leading some to interpret the rule as an outright prohibition, when enumerated contracts are prohibited only if the CFTC determines them to be contrary to the public interest. Further, the "other similar activity" provision in the CEA requires a determination by the CFTC "by rule or regulation, to be contrary to the public interest."

While it may be appropriate for the Commission to think about categories of contracts in developing principles with which to inform their determinations, adopting a broad

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[18] Coinbase Global, Inc., *Response to Notice of Proposed Rulemaking - Event Contracts (RIN 3038 -AF14)* (Aug. 8, 2024), *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=74489.

categorical determination approach to event contracts would be a flawed method to review novel products, even if it were permitted under the CEA; doing so would risk upending the Commission's product review framework and the statutory intent underpinning the self-certification process governed by Regulation 40.2, as described below.

1. The CFTC should provide clarity by narrowly defining the activities enumerated in the Special Rule

Signposting which event contracts are likely to fall within the Special Rule has the benefit of placing DCMs and market participants on notice regarding where regulatory scrutiny might fall. However, this benefit disappears if the enumerated activities are not clearly defined. If a plausible reading of the enumerated activities can expand their scope to include a wide range of contracts, it becomes increasingly difficult to determine which contracts are not at risk of being prohibited for public interest reasons. To best promote innovation and efficiency, DCMs must know with some certainty at the contract design stage which contracts are unlikely to face scrutiny and which are at risk.

Where available, the CFTC should employ existing statutory definitions to provide definitional guidance for the enumerated activities. Where appropriate statutory definitions are not available, the Commission should seek to define terms as they are commonly understood.

- **War and Terrorism**: The statutory definitions for "terrorism" and "act of war" found in 18 U.S.C. § 2331[19] provide a well-developed and authoritative framework that the Commission can draw on. It is not within the CFTC's purview or expertise to define war or terrorism; a definition for these activities that is too broad or imprecisely drafted risks failing to exclude related but distinct phenomena such as civil unrest, diplomatic tensions, economic sanctions, or political actions taken as part of international relations. Drawing from statutory definitions allows the CFTC to call on the judgment of Congress to help define these events, while still retaining the ability to make technical changes required by the context of event contracts.

[19] Defining terrorism in relevant part as involving "acts dangerous to human life that are a violation of the criminal laws of the United States or of any State"; "appear to be intended— (i) to intimidate or coerce a civilian population; (ii) to influence the policy of a government by intimidation or coercion; or (iii) to affect the conduct of a government by mass destruction, assassination, or kidnapping" and defining act of war as "any act occurring in the course of (A) declared war; (B) armed conflict, whether or not war has been declared, between two or more nations; or (C) armed conflict between the military forces of any origin".

- **Assassination**: The Commission should consider whether the term's ordinary meaning — the deliberate killing of a person, often but not necessarily a prominent individual for political reasons — is sufficiently clear.

- **Gaming**: As the Commission has noted, "the term 'gaming' requires further clarification and that the term is not susceptible to easy definition."[20] We understand the term "gaming" to mean a game of chance, typically offered by licensed gaming establishments such as casinos or bingo halls, in which the outcome is predominantly determined by chance rather than skill, knowledge, or analysis. This understanding is reflected in the regulatory frameworks of the states that have legalized and regulated gaming, which draw careful distinctions between games of chance (such as slot machines, roulette, and certain card games) and contests that involve substantial elements of skill or judgment (such as sports competitions). Importantly, for an event contract to reach the threshold of involving gaming under the Special Rule, it must be based on an underlying event of this character.[21]

- **Unlawful Activity**: The Special Rule also includes activity that is unlawful under any federal or state law. We recommend the Commission clarify whether or how the Commission would consider activity unlawful under one state's law, or how to resolve inconsistencies between multiple states' laws, including when the activity is expressly lawful in some states, but not all states. Nor is it clear how the Commission considers activities unlawful under a state law that may be preempted by federal law.

Finally, the Special Rule provides that the Commission may determine an event contract is contrary to the public interest if it involves "other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest." This catch-all provision provides an escape hatch of sorts; if an event contract is contrary to the public interest, but is not captured by one of the enumerated activities, the Commission may prohibit its listing if it is similar to the enumerated activities. However, any designation of a "similar activity" must be accomplished through formal rulemaking, as the statute explicitly requires. This procedural requirement serves as an important safeguard against

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[20] Provisions Common to Registered Entities, 76 Fed. Reg. 44779 (Jul. 27, 2011) (quoting 75 Fed. Reg. 57282 (Nov. 2, 2010)). Back in 2011, the Commission contemplated that it "may issue a future rulemaking concerning the appropriate regulatory treatment of 'event contracts,' including those involving 'gaming.'" As it has been 15 years, we think the time has come for the Commission to finally determine and make clear, through an APA-compliant rulemaking, what it means when it says "gaming".

[21] KalshiEx LLC v. CFTC, D.C. Cir. 2024, at 7 (declining to stay the District Court's vacatur of the CFTC's determination prohibiting listing of an election contract for involving gaming because "gaming" must refer to the "act of playing a game" or "playing games for stakes.").

ad hoc or politically motivated determinations, as the concept of public interest is inherently sensitive to politics. Although "public interest" naturally evolves over time, careful consideration is required prior to moving into new categories to provide predictability and stability to markets.

The CFTC should proactively engage with DCMs and take actions to detect, investigate and prosecute insider trading in prediction markets

The Commission sets forth a series of thoughtful questions in the ANPR related to "insider trading" in prediction markets. Much has been made about the topic in recent months. We believe it is appropriate to first define what we mean by insider trading, and then to discuss how the Commission should approach insider trading in prediction markets based on its statutory, regulatory, and enforcement authorities.

1. Insider trading in CFTC-regulated markets requires the breach of a duty

We agree with the Director of Enforcement's framing of what constitutes insider trading. As stated, the misappropriation theory of insider trading applies in swaps, futures, and options markets, and "liability attaches when an individual: (1) possesses material non-public information; (2) misappropriates that information by trading on or tipping in breach of a duty of trust and confidence owed to the source of the information; and (3) does so with scienter."[22] Importantly, this recognizes that the classical theory of insider trading involving "corporate insiders [] breaching a duty they owe to the company's shareholders by trading on material non-public information opposite those shareholders" "is unlikely to apply under the CEA."[23] This is an important distinction that has not been clearly appreciated by many commentators regarding prediction markets, and has led to confusion and a misunderstanding of insider trading in commodity derivatives markets, which feature legitimate trading based on inside information that would be prohibited in the securities markets.

We appreciate the Commission's ability to distinguish insider trading from instances where market participants "use their own knowledge and information to make trading decisions."[24] CFTC-regulated markets have long existed for farmers, ranchers, corporate end-users, and other market participants to hedge risks based on information proprietary to their businesses. We support the Commission's approach to "only [] prosecut[e] cases

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[22] David I. Miller, Remarks at NYU Law School – CFTC Enforcement Priorities, Insider Trading in the Prediction Markets, and Cooperation with the CFTC, (March 31, 2026), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/opamiller1.
[23] *Id*.
[24] *Id*.

against those who tip or trade with misappropriated information"[25] in furtherance of the Commission's mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. We discuss this activity further in the following sections.

2. The CEA and CFTC rules prohibit insider trading

CEA Section 6(c)(1) prohibits insider trading in prediction markets. The statute is clear in the context of futures, swaps, and options that it is unlawful for any person to use or employ, or to attempt to use or employ, any manipulative or deceptive device or contrivance on or subject to the rules of any registered entity, including a DCM. The statute is implemented by CFTC Rule 180.1, a "'broad, catch-all provision' intentionally modeled on Securities and Exchange Commission Rule 10b-5, 17 C.F.R. § 240.10b-5, which the CFTC interprets to prohibit, among other things, trading on the basis of material non-public information in breach of a pre-existing duty of trust and confidence."[26]

As a market operator and registered entity, Coinbase strongly believes there is no room for insider trading in our markets and has invested significant resources to ensure that our markets operate with integrity. We applaud the Commission's recent efforts to promote market integrity and root out abusive trading practices that degrade market trust.

3. CFTC rules also prohibit manipulation

We also support the Commission's focused attention in stopping manipulation. CFTC Rule 180.1(a)(1) addresses, among other things, the use of "any manipulative device, scheme, or artifice to defraud." DCMs have an obligation under the CEA's core principles to only list contracts for trading that are not readily susceptible to manipulation (Core Principle 3), to have the capacity and responsibility to prevent manipulation and price distortion, through market surveillance, compliance, and enforcement practices and procedures (Core Principle 4), and to establish and enforce rules to protect markets and market participants from abusive practices, and to promote fair and equitable trading (Core Principle 12).

Coinbase believes that the recent staff advisory from the Division of Market Oversight included appropriate reminders to DCMs with respect to certain categories of event contracts that create a heightened potential for manipulation or price distortion, such as sports contracts "based on injuries to individual sports participants, unsportsmanlike conduct, or physical altercations between sports participants, as well as contracts that

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[25] *Id*.

[26] 17 CFR § 180.1.; Michael S. Selig, House Committee on Agriculture Opening Statement, footnote 5 (Apr. 16, 2026), *available at* [HHRG-119-AG00-Wstate-SeligM-20260416.pdf]

resolve or settle based on the action of a single individual or a small group of individuals, such as officiating actions occurring during a sporting event."[27]

4. The CFTC has enforcement authority over event contracts

Coinbase appreciates the recent Division of Enforcement Advisory on Enforcement Authority over Event Contracts.[28] We agree that "DCMs have an independent duty pursuant to the core principles in the [CEA] to maintain audit trails, conduct surveillance, and enforce rules against prohibited practices."[29] We also appreciate the Division actively putting market operators and market participants on notice that it "will investigate and prosecute violations, as it always has with respect to conduct occurring on DCMs."[30] As the Commission's recent enforcement actions indicate, it is ready to act when it identifies instances of insider trading, manipulation or abusive trading on CFTC-registered markets. We encourage the Commission to continue to dedicate resources to this important role and actively deploy resources to investigate and prosecute illegal activity.

5. DCMs must continue to monitor for trading on inside information and manipulation

Coinbase supported the Division of Market Oversight Staff Advisory issued to DCMs recently that addressed, among other things, sports-related event contracts. We appreciated the recommendation that DCMs coordinate with sports governing bodies in the development, listing, and trading of sports-related event contracts. Looking at sports league integrity standards and guidance around markets, contracts and restricted or insider participant lists will help to protect against manipulation and insider trading.

For any type of contract that might be more readily susceptible to manipulation (whether sports or otherwise), (i) either the contract should not be listed on a DCM or (ii) the DCM should take additional steps to detect, investigate, and prosecute manipulation. The specific supplemental surveillance actions will depend on the contract, but may include, for example, coordination with sports leagues and integrity forums, and communication with the CFTC (who can leverage data to conduct oversight across markets).

We agree that "engagement with the sports leagues and other sports governing bodies may further a DCM's ability to comply with their obligations under DCM Core Principle 3 with respect to sports-related event contracts by enhancing access to information about

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[27] *CFTC Staff Issues Prediction Markets Advisory*, Staff Letter No. 26-08 (Mar. 12, 2026), *available at* https://www.cftc.gov/PressRoom/PressReleases/9193-26.
[28] CFTC, *Advisory on Enforcement Authority over Event Contracts,* Release No. 9185-26 (Feb. 25, 2026), *available at* https://www.cftc.gov/PressRoom/PressReleases/9185-26.
[29] *Id*.
[30] *Id*.

the nature and dynamics of underlying events (e.g., information about categories of individuals who should be restricted from trading in certain sports-related event contracts as an informed participant)."[31] As stated in other parts of this response, however, we note that the Commission should carefully evaluate any particular new obligations imposed on DCMs.[32]

6. The CFTC's product listing framework should be preserved

Some critics have suggested that the CEA's approach to contract listing should be revisited, citing the rise of prediction markets as an example. We disagree. The Commission's approach to listing event contracts should not require any guidance or amendments to regulations. Footnote 27 in the ANPR refers to CFTC Regulation 40.2, which the Commission describes as "the general process by which a DCM or SEF may list a new derivative contract for trading by providing the Commission with a written certification — a 'self-certification' — that the contract complies with the CEA, including the CFTC's regulations thereunder." Under this framework, as the Division of Market Oversight recently noted, the DCM's submission must "either be accompanied by the documentation relied upon to establish the basis for compliance with applicable law, or incorporate information contained in such documentation, with appropriate citations to data sources[.]"[33]

Coinbase reminds the Commission that when CFTC Regulation 40.2 was amended in 2000, the Commission stated that it "has long recognized 'the need to balance the flexibility' that the Act … gives 'a DCM in being able to [quickly] self-certify new products … against the obligations of both the DCM and the Commission to assure themselves that the certification is accurate — i.e., that the product or rule does indeed comply with applicable … core principles."[34]

As we wrote just a few years ago,

> generally, we believe the Commission reached the appropriate balance when it adopted the current text of Regulation 40.2(a)(3) in 2011, and the rule does not need to be changed. Regulation 40.2 implements the product

[31] Prediction Markets Advisory, *supra* note 27.
[32] For example, some have suggested that DCMs proactively monitor participants to determine whether they should have access to certain markets. This could include "block lists" and other similar prescriptive requirements, which are costly to implement and maintain, straining the resources of a prediction market. Rather than requiring something as difficult to implement as block lists, we encourage the Commission to first explicitly conclude that such measures are necessary, and then subsequently consider the associated costs and benefits of such a requirement.
[33] Prediction Markets Advisory, *supra* note 27.
[34] Provisions Common to Registered Entities, *supra* note 20.

> certification process that section 5c(c) establishes … [T]his procedure serves as an alternative to submitting new products to the Commission for review and approval. Its inclusion in the CEA since 2000 without substantive change evidences clear, longstanding Congressional intent to enable DCMs to move quickly to list a new product upon making the requisite certification, to support their competitiveness in the highly competitive global derivatives markets.[35]

We believe this remains true today. The CFTC's product listing process is one of the unique characteristics that separates U.S. derivatives markets from other capital markets, where new products take significantly longer to come to fruition. DCMs must continue to be thoughtful about the contracts they design and the markets they operate to ensure that DCMs only list products in a manner compliant with the CFTC's existing regulations, including, among others, the Core Principle 3 requirement that contracts are not reasonably susceptible to manipulation. Products that a DCM cannot reasonably ensure meet the regulatory requirements should not be listed.

The CFTC's existing regulatory framework is robust and well-suited to oversight of prediction markets

As swaps, event contracts are already subject to comprehensive regulation. The CFTC's DCM Core Principles and the self-regulatory program that DCMs oversee form part of a flexible, yet stringent, principles-based framework that has been applied to effectively regulate a number of different products and markets. As we have previously advocated, a principles-based approach to regulation encourages new business models and market structures, and these important innovations (like prediction markets) can and should be supported by the CFTC in a responsible manner.[36]

For the same reasons, prediction markets do not require a departure from the tried and tested relationship between a DCM as a self-regulatory organization and CFTC as markets regulator. All DCMs — whether offering event contracts, agricultural contracts, or other commodity futures contracts — are responsible for surveilling and protecting the integrity of their markets. DCMs are the first line of defense to ensure that their markets operate with integrity and fairness. The Division of Market Oversight recently noted, "[a]s front-line regulators, DCMs should be proactive, ensuring proper surveillance and

[35] Coinbase Global, Inc., *Amendments to Provisions Common to Registered Entities* (Nov. 6, 2023) *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73183.
[36] Coinbase Global, Inc., *Response to Request for Comment on the Impact of Affiliations of Certain CFTC-Regulated Entities*, (Sept. 28, 2023), *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73145.

oversight of trading in all of the products that they list, accounting for the particular characteristics and attributes of each product."[37] Under the DCM core principles, DCMs must conduct surveillance, address and minimize contracts readily susceptible to manipulation, investigate and discipline participants who violate the exchange's rules, and take other steps to ensure fair and equitable trading.

The CFTC, as the markets regulator, is the critical second line of defense. It oversees each DCM and can investigate or prosecute a DCM's participants for CEA violations. The CFTC's Division of Market Oversight is charged with DCM oversight; DCMs routinely undergo staff examinations, called Rule Enforcement Reviews, and have regularly-scheduled meetings with CFTC staff to discuss changes to the business, staffing, policies and procedures, and operation. DCMs must also file material rule changes or new product listings with the CFTC under its Part 40 rules before they can become effective, either by self-certification under 40.2 or by voluntary submission for Commission approval under 40.3. And, each year, each DCM's Regulatory Oversight Committee (**ROC**), which is composed only of public directors, must prepare an annual report assessing the DCM's self-regulatory program for the board of directors and the Commission. The DCM's ROC annual report to the DCM's board of directors and the Commission sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels.

1. The DCM Core Principles framework adequately addresses the fundamentals of prediction market regulation

Given the comprehensive framework already in place to regulate DCMs, the CFTC should first clearly identify any deficiencies or shortcomings in its existing DCM framework, specifically CEA Section 5 and Part 38 of the CFTC's rules, before advancing any bespoke new obligations for prediction market operators.[38] If, as a result of any comprehensive review, the Commission should consider future initiatives such as rulemaking or guidance, it is critical that this exercise continues to involve public feedback.

In particular, we caution against overly prescriptive regulations that deviate from the CFTC's historical practice of adopting regulations that can apply to a wide variety of registrants and to new markets and innovative products without undue regulatory costs or

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[37] Prediction Markets Advisory, *supra* note 27.

[38] While we do not discuss DCO core principles in detail in this letter, we note that CEA Section 5b(c)(2) includes 18 core principles for DCOs, which are codified in Part 39 of the CFTC's rules. We respectfully submit that, like DCMs, the DCO regulatory framework is comprehensive, follows a principles-based framework, and should only be amended or supplemented for prediction markets where a deficiency or shortcoming is identified.

burdens.[39] Commission staff should be mindful of the broad general impact that making sweeping alterations to the current rules and practices could have on registrants, market structure, and customers.[40] To that end, the Commission must start from the premise that prediction markets, and non-prediction markets, remain subject to the same principles-based regulation as DCMs.

For these reasons, we believe that the Core Principles framework discussed in the ANPR is critical to the success of well-functioning prediction markets. We highlight below where key DCM Core Principles and FCM regulation already address issues most relevant to the listing, trading, and oversight of prediction markets. We also recommend two narrow opportunities for further rulemaking: (1) to ensure that all customers benefit from the same customer protections and (2) to update existing CFTC guidance on Core Principle 3 to reflect developments across derivatives markets, including prediction markets.

a. Customer Protection

Customer protection is a critical element of the CFTC's regulatory framework. Whether in the form of disclosures, segregation of customer funds, or financial integrity of intermediaries, exchanges, or clearinghouses, the CEA and CFTC rules are designed to promote market integrity and customer protection. As the Commission has recently explored in its *Request for Comment on the Direct Clearing of Derivatives by Retail Participants*, there are a number of instances where market participants' experiences are different depending on whether they participate in a direct access or intermediated model. This distinction presents itself, for example, in the disparate marketing materials regimes applicable to FCMs and DCMs, as well as the way that customer funds are held and risk management and conflicts of interest are managed. The Commission should evaluate these differences and ensure that customer protection remains in place at the highest level, regardless of the access model, and ensure that what can be said by CFTC-registered entities to customers is consistent, no matter the type of registered entity category.

[39] The ANPRM cites the five considerations that the Commission must consider when evaluating the costs and benefits of its actions under CEA Section 15. While we appreciate the Commission's cognizance of its Section 15(a) obligations, it is premature for us to evaluate these considerations, as the ANPRM does not propose any specific new Commission regulation or guidance. We would, however, support a robust discussion of any cost-benefit analysis in future Commission action.
[40] *Response to Request for Comment on the Impact of Affiliations of Certain CFTC-Regulated Entities, supra* note 36.

b. *Manipulation*

To list a contract, a DCM must certify to the Commission that the product is not readily susceptible to manipulation, as required by Core Principle 3.[41] The CFTC's Division of Market Oversight has been clear with DCMs about the requirements for product listings, noting recently that "overly broad or general contract specifications may affect a DCM's ability to analyze the compliance of the contract's various permutations with the CEA and Commission regulations, including the contract's susceptibility to manipulation."[42]

As the CFTC's Director of Enforcement has noted, DCMs are a "critical line of defense" against manipulation. As a market operator, CDE takes seriously its obligation to comply with DCM Core Principle 3 and list only contracts that are not readily susceptible to manipulation. As an intermediary, Coinbase Financial Markets looks to partner DCMs to ensure that this criteria is met with respect to the contracts its customers can trade. We recognize that certain contracts may "create a heightened potential for manipulation or price distortion" and support the staff's encouragement to "to determine if any heightened manipulation or price distortion risks exist, and, if so, whether they may be mitigated with appropriate controls."[43]

Appendix C to Part 38, which provides guidance on how a DCM can satisfy Core Principle 3, has not been updated since its adoption in 2012, suggesting that it may be appropriate for some modernization, generally, to reflect advancements in futures and derivatives regulations in the last decade and a half. We do not object to the Commission exploring that as a possibility, as it would be done in the form of an Administrative Procedure Act-compliant rulemaking. We do not believe, however, that Appendix C to Part 38 should be updated to create a bespoke set of rules for prediction markets.

c. *Abusive Trading*

Abusive trading is addressed holistically across DCM Core Principle 2[44], DCM Core Principle 10 (Trade Information), and Core Principle 12 (Protection of Markets and Market Participants). Together, these Principles require DCMs to have in place a comprehensive

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[41] 17 CFR § 38.200. Core Principle 3 requires DCMs to only list contracts "that are not readily susceptible to manipulation." Core Principle 3, and the Guidance in Appendix C to Part 38, provide detailed instructions to DCMs seeking to demonstrate that a contract is not readily susceptible to manipulation.
[42] Prediction Markets Advisory, *supra* note 27.
[43] Prediction Markets Advisory, *supra* note 27.
[44] 17 CFR § 38.150. Core Principle 2 requires a DCM to "establish, monitor, and enforce compliance with the rules of the contract market, including—(i) access requirements; . . . and (iii) rules prohibiting abusive trade practices on the contract market." It also requires the DCM to "have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market."

program to prevent, detect, and address any instances of abusive trading. Before considering amendments to Core Principle 2 and the Subpart C Rules to Part 38, the Commission should consider the other relevant protections in place to address these issues for all DCMs.[45]

d. Resolution Criteria

Core Principle 2 already provides the Commission, and DCMs, with adequate guidance and responsibilities related to having terms and conditions of contracts. Taken together with DCM Core Principle 14, which focuses on dispute resolution, DCMs have the authority and the responsibility to ensure markets operate with clarity and integrity. Whether a dispute relates to a settlement index's operation or whether an event that took place qualifies as a "YES" for a prediction market, DCMs are commercially motivated to provide clear, unambiguous criteria for resolution of prediction markets. DCMs, in compliance with Part 38, often provide forums for participants to appeal determinations, and some provide unique determination committees with disputes addressed by impartial individuals who meet the qualifications for a public director. We do not think additional rules or guidance are necessary here. Rather, we believe this is a public policy opportunity for prediction markets to provide uniform methods for addressing disputes regarding how event contracts are resolved or how the trigger event for an event contract is determined.[46] [47]

e. Market Oversight

We believe prevention of market disruption as required by Core Principle 4[48] is critical to the success of an exchange. If a DCM has not incorporated the detection and prevention of market manipulation, disruptions, and distortions into the design of programs for monitoring trading activity, not only will the DCM lose customers' trust, but it will fall short of the Guidance issued by the Commission in Appendix B to Part 38. In that Guidance and Acceptable Practices, the Commission has identified specific features of monitoring and rules, and that the DCM should take steps to prevent disruption once it is detected. The Commission has also identified six acceptable practices, most of which apply to prediction markets in the same manner as other markets. Prediction markets, and all DCMs, must have real-time monitoring, automated trading alerts, trade risk controls, and

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[45] Prediction Markets, *supra* note 1, Question 2a.
[46] By way of example, we believe the Commission's recognition of the Credit Derivatives Determinations Committees is important as an industry-led solution and not a government-imposed apparatus.
[47] Prediction Markets, *supra* note 1, Question 2b.
[48] 17 CFR § 38.250. Core Principle 4 requires DCMs be capable of, and responsible for, adequate market oversight and the prevention of "manipulation, price distortion, and disruptions of the delivery or cash-settlement process," utilizing real-time trade monitoring and "comprehensive and accurate trade reconstructions."

rules reasonably designed to prevent, detect, and mitigate market disruptions or system anomalies.

While we recognize that some markets may differ with respect to their volatility and liquidity, and require varying approaches to trade surveillance, the existing core principles, Commission rules and Commission guidance adequately contemplate and address the same issues facing prediction markets and other markets.