July 27, 2026

VIA ELECTRONIC SUBMISSION

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Notice of Proposed Rulemaking on Prediction Markets and Related Public Interest Determinations (RIN 3038-AF65)

I. Overview

The Crypto Council for Innovation ("CCI") appreciates the opportunity to respond to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Notice of Proposed Rulemaking ("NPRM") on prediction markets and related public interest determinations. CCI previously submitted a letter in response to the Commission's Advance Notice of Proposed Rulemaking on Event Contracts and Prediction Markets (the "Letter on Prediction Markets ANPRM").[1] CCI is a global alliance of leaders within the digital assets industry committed to promoting the advantages of digital assets while advocating for responsible global regulation that unlocks economic opportunities and safeguards national security.[2] Our members are united by the common objective of fostering well-informed, evidence-driven policy through collaboration with regulators.

CCI commends the Commission's continued efforts to establish a comprehensive federal framework for prediction markets. As noted in our Letter on Prediction Markets ANPRM, we believe that achieving the Commission's objectives requires a regulatory posture centered on two primary principles:

- First, blockchain-based infrastructure can meet and advance the CFTC's Core Principles and regulatory objectives by enhancing transparency, reducing counterparty and settlement risk, and improving overall market efficiency. The CFTC should accordingly facilitate the adoption of blockchain-based technologies in order to support the ongoing evolution and improvement of CFTC-regulated markets–including, as relevant to this letter, where blockchain infrastructure can support increased transparency, efficiency, and operational resilience for prediction markets trading.

[1] Prediction Markets; Public Interest Determinations, 91 Fed. Reg. 35,806 (June 12, 2026).
[2] *See* Crypto Council for Innovation website, available at: https://cryptoforinnovation.org/.

- Second, the CFTC possesses broad, preemptive jurisdictional authority over derivatives products under the Commodity Exchange Act ("CEA"). This enables the development of a common national market protected by robust anti-fraud and anti-manipulation safeguards, market and trade conduct safeguards, and intermediary regulation. Recognizing and upholding the CFTC's exclusive jurisdiction over derivatives, including prediction markets, is critical in maintaining the broadest, deepest, and best-regulated marketplace for these products.

Against this backdrop, CCI offers the following key takeaways and recommendations.

II. The CFTC Has Exclusive Jurisdiction Over Prediction Markets and Event Contracts, Which Benefits U.S. Derivatives Markets and the Broader Financial System

CCI supports the Commission's assertion, supported by Congress's mandate, that the CFTC possesses exclusive jurisdiction over transactions involving event contracts traded on prediction markets. Congress vested the CFTC with exclusive jurisdiction over transactions involving swaps and commodity futures and charged the Commission with administering and enforcing the CEA. Because event contracts are in fact structured and offered as swaps or futures (and in a manner very commercially and structurally distinct from the products offered by traditional gaming companies), any venue offering such event contracts to the general public must register with the CFTC as a designated contract market ("DCM") and comply with applicable requirements. Additionally, the broad definition of "swap" in Section 1a(47) of the CEA as well as the acknowledgment in Section 5c(c)(5)(C) of the CEA that event contracts may be listed on registered entities (the "Special Rule") supports the conclusion that prediction markets fall squarely within the CFTC's exclusive jurisdiction.

Congress created the CFTC and enacted the CEA specifically to replace inconsistent state-by-state regimes that impaired national commodities markets with a single, coherent framework. The Commission should affirm and preserve that intent in the final rule. CCI believes that uniform federal oversight is particularly important for blockchain-based prediction markets, to the extent such markets are administered by a centralized operator. The borderless nature of blockchain technology means that market participants can access these platforms from anywhere in the United States. Subjecting such platforms to a patchwork of conflicting state laws, each with differing characterizations of event contracts would undermine the innovation that blockchain technology uniquely enables and would create insurmountable compliance burdens that could drive these markets offshore. The CFTC's exclusive jurisdiction provides the nationally uniform regulatory framework that blockchain-based prediction markets need to flourish domestically.

Exclusive federal oversight promotes liquid, transparent, fair and financially secure trading environments and avoids the fragmented compliance burdens and inconsistencies that would arise from subjecting prediction markets to a conflicting fifty-state regime. In this regard, blockchain technology enhances and complements the Commission's goals of liquidity, fairness, and financial security. Smart contracts on distributed ledgers can enforce the terms of event contracts automatically and transparently, reducing counterparty risk, improving settlement speed, and creating an immutable audit trail. When combined with the CFTC's regulatory framework, including the Part 38 Core Principles, clearing requirements, and surveillance obligations, prediction markets (including those integrating blockchain based tools and features) can offer a level of transparency and operational resiliency that surpasses traditional market infrastructure.

Further, CCI agrees with the Commission that barring a contract on a registered venue may divert activity to offshore or less transparent markets, reducing U.S. oversight and investor protections, which is a public interest consideration weighing in favor of clear, workable domestic pathways. When event contracts are traded on CFTC-registered DCMs, participants benefit from the full suite of CEA protections, including anti-fraud and anti-manipulation safeguards, customer fund segregation, trade conduct requirements, regulated intermediaries, and dispute resolution mechanisms. Without such a pathway, market participants in the United States may turn to unregulated offshore platforms that lack these protections, ultimately harming the very interests the Commission seeks to serve. Therefore, we support the Commission's assertion, founded in the CEA and legislative history, that it has exclusive jurisdiction over prediction markets and event contracts, and encourage the Commission to clearly affirm it for the benefit of U.S. derivatives markets and the overall financial system.

III. The CFTC's Final Rule Should Reflect a Balanced Regulatory Framework thatProvides Clarity, Supports Market Integrity, and Promotes Responsible Innovation

CCI agrees with the Commission that clearer standards and factors for public interest determinations can support responsible innovation by helping prediction markets design permissible contracts and reducing inefficient submissions and late-stage disruptions. Innovation thrives in regulatory environments that offer clarity, predictability, and proportionality. By articulating clear factors and standards, rather than relying on ambiguous or after-the-fact determinations, the Commission empowers market participants, including those building on blockchain infrastructure, to invest in compliance, develop novel products, and contribute to the growth of prediction markets in the United States.

In general, the CFTC is proposing to clarify the factors it will apply in determining whether certain event contracts are subject to the "Special Rule" and, if so, whether they are "contrary to the public interest," with the objective of improving clarity, reducing inefficient submissions, and supporting responsible innovation while recognizing statutory constraints. We agree that key public interest factors to be evaluated by exchanges listing new products should include whether contracts are supporting or usefully addressing: (1) hedging, price-basing, or meaningful information and responsible innovation; (2) threats to market integrity, including manipulation, settlement integrity deficits, and insider/information leakage risks; and (3) whether the contract challenges the prediction market's compliance and self-regulatory capacity. The Commission recognizes prediction markets can serve price discovery and information aggregation functions and that the CEA also seeks to promote responsible innovation and fair competition. CCI supports the

Commission's multi-factor approach to the public interest analysis, which is designed to weigh potential harms and benefits holistically while accommodating novel contract design and market developments and avoiding an overly rigid, single-test framework. This approach is particularly well suited where blockchain-based tools are used to support and deliver prediction markets, where rapid technological innovation continually expands what is possible in contract design, settlement, and surveillance. A rigid, prescriptive framework would quickly become outdated and would disadvantage platforms that leverage new blockchain capabilities to enhance market integrity.

With respect to market integrity, the Commission emphasizes contract designs with clear, objective, publicly verifiable settlement criteria and sensitivity to insider-information risks, including the misuse of confidential information that can undermine market confidence and public interest. CCI submits that blockchain technology is uniquely well-suited to support the Commission's emphasis on clear, objective, and publicly verifiable settlement criteria. Specifically:

- **Immutable Settlement Records**. Blockchain-based settlement creates an immutable, time-stamped record of contract outcomes and payouts. This auditability strengthens the Commission's ability to verify settlement integrity and investigate potential irregularities. To that end, we encourage the Commission to explore how a blockchain-based system can enable compliance with CFTC Rule 1.31.

- **Transparent Data Provenance**. On-chain settlement data is publicly verifiable, enabling regulators, market participants, and the public to independently confirm that settlement criteria were applied correctly, directly supporting the Commission's emphasis on objective, publicly verifiable settlement.

- **Smart Contract Automation**. Smart contracts can be programmed to settle event contracts automatically upon the occurrence of a verifiable event (*e.g.*, via trusted oracle feeds), reducing the risk of discretionary or manipulated settlement and ensuring consistent application of pre-defined contract terms.

- **Decentralized Oracle Networks**. Blockchain-based prediction markets increasingly utilize decentralized oracle networks to source settlement data from multiple independent feeds, reducing single points of failure and manipulation risk in the settlement process.

CCI encourages the Commission to recognize these technological capabilities as supportive of market integrity and to ensure that the final rule does not inadvertently preclude or discourage the use of blockchain-based settlement infrastructure by CFTC-registered DCMs.

Additionally, CCI supports retaining a case-by-case, discretionary review process under CFTC Rule 40.11, rather than a self-executing per se prohibition, emphasizing the Special Rule's "may determine" language and the Commission's historical application of CFTC Rule

40.11 as a discretionary framework. This approach, paired with existing anti-fraud/anti-manipulation authority, can address illegal activity and market integrity concerns without categorical restrictions on contracts that provide meaningful value. A per se prohibition approach would be particularly harmful to blockchain-based prediction markets, which are at the forefront of innovation in this space. Categorical bans risk foreclosing novel contract designs that may offer significant informational, hedging, or social utility, simply because they touch upon broadly defined enumerated activities. The Commission's proposed case-by-case approach, guided by articulated public interest factors, preserves the flexibility to address genuine harms while allowing innovation to proceed where the public interest supports it. This approach is consistent with, and advances, the CFTC's statutory mandate under Section 4(c) of the CEA to promote responsible innovation and fair competition.

IV. Conclusion

CCI commends the Commission for undertaking this rulemaking and for its thoughtful, balanced approach to prediction markets and event contracts. The NPRM represents a significant step toward regulatory clarity that will benefit market participants, protect the public interest, and promote responsible innovation in the United States. We look forward to continued collaboration with the Commission as it continues to shape a regulatory framework that protects customers while promoting the growth and evolution of U.S. derivatives markets and the larger financial system.

Respectfully,

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